POWER CORPORATION OF CANADA

ANNUAL REPORT 2006

FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED DECEMBER 31 [in millions of dollars, except per share amounts]	2006	2005
Total revenue	**30,304**	26,561
Operating earnings	**1,166**	1,071
Operating earnings per participating share	**2.49**	2.32
Net earnings	**1,393**	1,053
Net earnings per participating share	**3.00**	2.28
Dividends paid per participating share	**0.76125**	0.6500
Consolidated assets	**132,687**	112,999
Consolidated assets and assets under administration	**342,197**	288,390
Shareholders' equity	**8,601**	7,259
Book value per participating share	**17.29**	14.39
Participating shares outstanding [in millions]	**451.5**	449.2

The Corporation uses operating earnings as a performance measure in analysing its financial performance.
For a discussion of the Corporation's use of non-GAAP financial measures, please refer to the Review of Financial Performance in this Annual Report.

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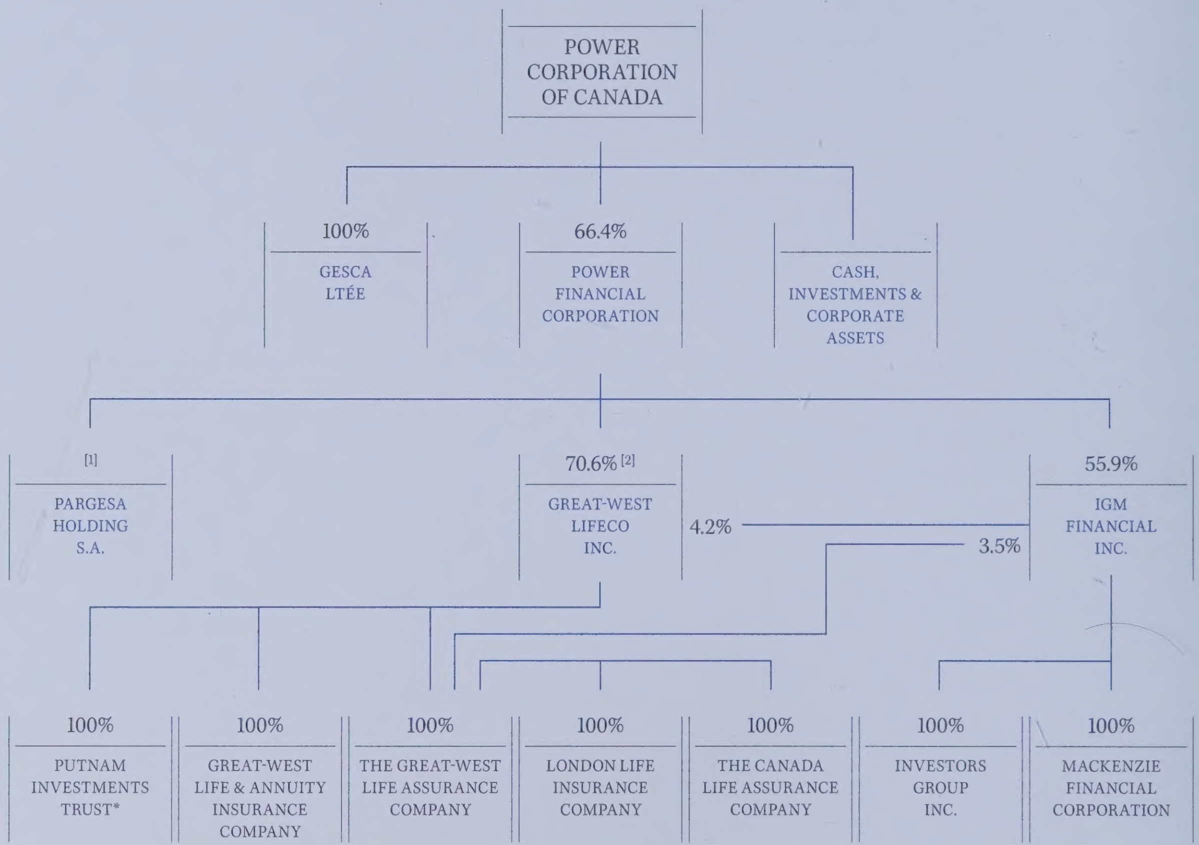
This Annual Report is designed to provide interested shareholders and others with selected information concerning Power Corporation of Canada. For further information concerning the Corporation, shareholders and other interested persons should consult the Corporation's disclosure documents, such as its Annual Information Form and Management's Discussion and Analysis of Operating Results. Copies of the Corporation's continuous disclosure documents can be obtained at www.sedar.com, on the Corporation's Web site at www.powercorporation.com, or from the Office of the Secretary, at the addresses shown at the end of this report.

Readers should also review the note on page 12 in the Review of Financial Performance section concerning the use of Forward-Looking Statements, which applies to the entirety of this annual report.

In addition, selected information concerning the business, operations, financial condition, priorities, ongoing objectives, strategies and outlook of Power Corporation of Canada's subsidiaries and affiliates is derived from public information published by such subsidiaries and affiliates and is provided here for the convenience of the shareholders of Power Corporation of Canada. For further information concerning such subsidiaries and affiliates, shareholders and other interested persons should consult the Web sites of and other publicly available information published by such subsidiaries and affiliates.

GROUP ORGANIZATION CHART



Above percentages denote participating equity interest as at December 31, 2006.

[1] Through its wholly owned subsidiary Power Financial Europe B.V., Power Financial Corporation held a 50 per cent interest in Parjointco N.V. Parjointco held a voting interest of 61.4 per cent and an equity interest of 54.1 per cent in Pargesa Holding S.A.

[2] 65 per cent direct and indirect voting interest

*On February 1, 2007, it was announced that Marsh & McLennan Companies, Inc. agreed to sell its interest in Putnam Investments Trust to Great-West Lifeco. The transaction is expected to close in the second quarter of 2007. Putnam has been included in this report as though the acquisition had been completed. The transaction is more fully described in the Review of Financial Performance section of this report at page 23.

The following abbreviations are used throughout this report: Power Corporation of Canada (Power Corporation or the Corporation); Bertelsmann AG (Bertelsmann); CITIC Pacific Limited (CITIC Pacific); Gesca Ltée (Gesca); Great-West Life & Annuity Insurance Company (Great-West Life & Annuity or GWL&A); Great-West Lifeco Inc. (Great-West Lifeco or Lifeco); Groupe Bruxelles Lambert (GBL); IGM Financial Inc. (IGM Financial or IGM); Investment Planning Counsel Inc. (Investment Planning Counsel); Investors Group Inc. (Investors Group); London Insurance Group Inc. (London Insurance Group); London Life Insurance Company (London Life); London Reinsurance Group Inc. (London Reinsurance Group); Mackenzie Financial Corporation (Mackenzie Financial or Mackenzie); Pargesa Holding S.A. (Pargesa); Parjointco N.V. (Parjointco); Power Financial Corporation (Power Financial); Power Technology Investment Corporation (PTIC); Putnam Investments Trust (Putnam Investments or Putnam); The Canada Life Assurance Company (Canada Life); The Great-West Life Assurance Company (Great-West Life or Great-West).

POWER CORPORATION OF CANADA

Incorporated in 1925, Power Corporation of Canada is a diversified international management and holding company with interests in companies that are active in the financial services, communications and other business sectors. Power Corporation holds the controlling interest in Power Financial Corporation and a 100 per cent interest in Gesca and PTIC.

POWER FINANCIAL CORPORATION

holds the controlling interest in Great-West Lifeco and IGM Financial. Power Financial and the Frère group each hold a 50 per cent interest in Parjointco, which holds their indirect interest in Pargesa.

Great-West Lifeco

holds a 100 per cent interest in The Great-West Life Assurance Company and in Great-West Life & Annuity Insurance Company. Great-West holds 100 per cent of London Insurance Group, which in turn owns 100 per cent of London Life Insurance Company; Great-West also has 100 per cent of Canada Life Financial Corporation, which holds 100 per cent of The Canada Life Assurance Company. At December 31, 2006, Lifeco and its subsidiaries had more than $210 billion in assets under administration. The transaction respecting Putnam Investments Trust, announced February 1, 2007, is more fully described on page 23 of this report.

GREAT-WEST is a leading insurer in Canada offering a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. Together with its subsidiaries, London Life and Canada Life, Great-West serves the financial security needs of more than 12 million Canadians.

LONDON LIFE offers Canadians financial security advice and planning through its Freedom 55 Financial division. London Life provides savings and investment, retirement income and individual life insurance products and mortgages in Canada, and operates internationally through its subsidiary London Reinsurance Group, a supplier of reinsurance in the United States and Europe.

CANADA LIFE provides insurance and wealth management products and services in Canada and internationally, primarily in the United Kingdom, Isle of Man, Republic of Ireland and Germany.

GREAT-WEST LIFE & ANNUITY operates in the United States, providing self-funded employee health plans for businesses, administering retirement savings plans for employees in the public/non-profit and corporate sectors, as well as providing annuities and life insurance for individuals and businesses.

PUTNAM INVESTMENTS is a Boston-based global money management firm with close to 70 years of investment experience. The company has approximately C$225 billion in total assets under management, including over 100 mutual funds, and offers a full range of financial products and services, both in the United States and globally, for individual and institutional investors.

IGM Financial

is one of Canada's premier personal financial services companies, and the country's largest manager and distributor of mutual funds and other managed asset products, with over $119 billion in total assets under management. The company serves the financial needs of Canadians through multiple distinct businesses including Investors Group, Mackenzie Financial and Investment Planning Counsel.

INVESTORS GROUP provides comprehensive financial planning, advice, and services, including investment, retirement, estate and tax planning, through a network of over 3,900 consultants to nearly one million Canadians. Investors Group offers investment management, securities, insurance, banking and mortgage products and services to its clients through integrated financial planning.

MACKENZIE FINANCIAL is a multidimensional financial services company with more than 100 mutual funds and is recognized as one of Canada's premier investment managers, providing investment advisory and related services in North America.

Pargesa Group

holds significant positions in five large companies based in Europe: Total (energy), Suez (energy, water, waste services), Imerys (specialty minerals), Lafarge (cement and building materials) and Pernod Ricard (wines and spirits).

GESCA

holds a 100 per cent interest in the Montréal daily newspaper *La Presse* and six other daily newspapers in the provinces of Québec and Ontario. Gesca also produces television programming, publishes specialty magazines and books, and operates several Internet sites.

POWER TECHNOLOGY INVESTMENT CORPORATION

is a wholly owned subsidiary of Power Corporation which invests in the biotechnology and technology sectors. In addition to its investments in Neurochem Inc. and Adaltis Inc., two public companies based in Montréal, PTIC also holds interests in various U.S.-based technology funds, as well as minority ownership positions in several companies.

Power Corporation of Canada's operating earnings for the year ended December 31, 2006 were $1,166 million or $2.49 per participating share, compared with $1,071 million or $2.32 per participating share in 2005, an increase of 7.6 per cent on a per share basis.

Growth in operating earnings reflects an increase in the contribution from subsidiaries, as well as an increase in results from corporate activities due to higher income from investments.

Other income was $227 million or $0.51 per participating share in 2006, and includes an amount of $236 million or $0.52 per share representing the impact of the gain recorded in the third quarter in connection with the sale by Groupe Bruxelles Lambert of its interest in Bertelsmann. In 2005, other items not included in operating earnings were a net charge of $18 million, or $0.04 per share.

Power Corporation's net earnings for 2006 were $1,393 million or $3.00 per participating share, compared with $1,053 million or $2.28 per share in 2005.

Dividends

Dividends paid in 2006 on the Corporation's Participating Preferred and Subordinate Voting Shares rose to 76.125 cents per share, compared with 65 cents per share in 2005, an increase of 17.1 per cent. Dividends were also increased during the year at Power Financial, Great-West Lifeco, IGM Financial and Pargesa.

Group Companies' Results

POWER FINANCIAL Power Financial Corporation's operating earnings for the year ended December 31, 2006 were $1,802 million or $2.46 per share, compared with $1,694 million or $2.33 per share in 2005. This represents a 5.7 per cent increase on a per share basis (11.6 per cent based upon Lifeco's net income on a constant currency basis).

The increase in operating earnings in 2006 reflects growth in the contribution from Power Financial's subsidiaries and affiliate.

Other items not included in operating earnings were $353 million or $0.50 per share in 2006, including primarily an amount of $356 million or $0.50 per share, representing the impact of the gain recorded in the third quarter in connection with the sale by GBL of its interest in Bertelsmann. In 2005, other items not included in operating earnings were a net charge of $33 million, or $0.05 per share, and were composed primarily of Power Financial's share, in the amount of $31 million or $0.05 per share, of provisions for expected losses arising from hurricane damage recorded by Lifeco.

As a result, net earnings were $2,155 million or $2.96 per share in 2006, compared with $1,661 million or $2.28 per share in 2005.

GREAT-WEST LIFECO Great-West Lifeco reported net income attributable to common shareholders of $1,875 million for the twelve months ended December 31, 2006, compared with $1,742 million in 2005. On a per share basis, this represented $2.104 per common share for 2006, an increase of 8 per cent (15 per cent on a constant currency basis), compared with $1.955 per common share for 2005. The 2005 results included restructuring charges and provisions for expected losses arising from hurricane damage for an aggregate amount of $60 million after tax, or $0.067 per common share.

Reported earnings in 2006 for Great-West Lifeco were impacted by movement in foreign currency translation rates, as well as the expiry of favourable forward foreign exchange contracts. Absent these items, net income attributable to common shareholders in 2006 would have been approximately $132 million higher than reported. On a constant currency basis, earnings per common share for the full year increased 15 per cent, as mentioned above.

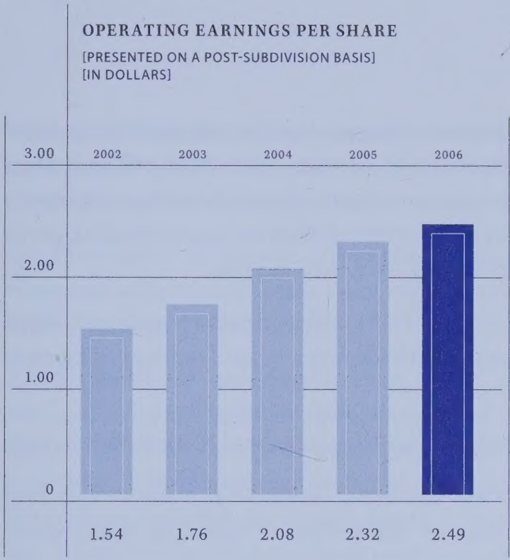
Return on common shareholders' equity, excluding charges and provisions mentioned above, was 20.1 per cent for the twelve months ended December 31, 2006. Assets under administration at December 31, 2006 totalled $210.6 billion, up $33.3 billion from December 31, 2005 levels.

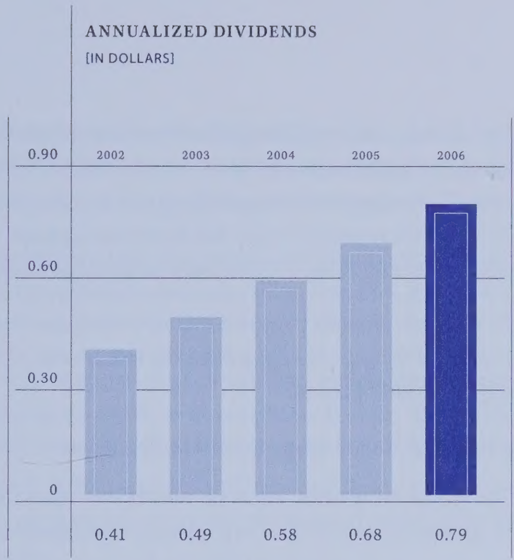
Consolidated net earnings of the Canadian segment of Great-West Lifeco attributable to common shareholders for the twelve months ended December 31, 2006 were up 16 per cent to $893 million, from $773 million in 2005. Total sales for the twelve months ended December 31, 2006 were $8.3 billion, an increase of 27 per cent over 2005 levels. Total assets under administration at December 31, 2006 were $94.6 billion, up $6.5 billion from December 31, 2005.

Consolidated net earnings of the United States segment of Great-West Lifeco attributable to common shareholders for the twelve months ended December 31, 2006 decreased 2 per cent to US$452 million from US$459 million at December 31, 2005. In Canadian dollars, earnings for the twelve months ended December 31, 2006 were $511 million, compared with $606 million in 2005. Total sales for the twelve months ended December 31, 2006 were US$2.3 billion, an increase of 15 per cent over 2005 levels. Total assets under administration of US$41.2 billion at December 31, 2006 were up $3.3 billion from December 31, 2005.

Consolidated net earnings of the European segment of Great-West Lifeco include operating results denominated in British pounds sterling, euros, U.S. dollars and Canadian dollars. For the twelve months ended December 31, 2006, on a constant currency basis, net earnings attributable to common shareholders increased 34 per cent. In Canadian dollars, 2006 earnings were $486 million, compared with $399 million for 2005. Total sales for the twelve months ended December 31, 2006 were $10.1 billion, an increase of 24 per cent on a constant currency basis over 2005 levels. Total assets under administration at December 31, 2006 were $67.8 billion, up $22.9 billion from December 31, 2005.

IGM FINANCIAL IGM Financial reported net income for the year ended December 31, 2006 of $776.7 million. This amount included a $13.7 million ($0.05 per share) non-cash income tax benefit recorded in the second quarter resulting from decreases in the federal corporate income tax rates and their effect on the future income tax liability related to certain intangible assets. Diluted earnings per share on this basis were $2.90. Net income for 2006, excluding this item, was $763.0 million, compared with net income of $682.4 million in 2005, an increase of 11.8 per cent. Diluted earnings per share on the same basis were $2.85, compared with earnings per share of $2.56 in 2005, an increase of 11.3 per cent.





Gross revenues for the year ended December 31, 2006 were $2.60 billion, compared with $2.35 billion in the prior year. Operating expenses were $1.49 billion for 2006, compared with $1.37 billion in 2005. Total assets under management at December 31, 2006 totalled $119.4 billion. This compares with total assets under management of $100.2 billion at December 31, 2005, an increase of 19.1 per cent.

Return on average common equity for the twelve months ended December 31, 2006, excluding the non-cash income tax benefit, was 20.3 per cent, compared with return on average common equity of 20.0 per cent for the same period in 2005.

For IGM Financial's Investors Group unit, mutual fund assets under management at December 31, 2006 were $58.2 billion, compared with $50.7 billion at December 31, 2005, an increase of 14.8 per cent. The number of Investors Group consultants was 3,917 at December 31, 2006, up from 3,668 at December 31, 2005. Investors Group has experienced ten consecutive quarters of growth in the number of consultants resulting in an increase of more than 22 per cent in the consultant network since June 30, 2004.

Mutual fund sales for 2006 were $6.2 billion, compared with $5.5 billion in the prior year. Investors Group's twelve-month trailing redemption rate (excluding money market funds) was 7.9 per cent at December 31, 2006, down from 8.7 per cent at the same time last year. Mutual fund net sales were $1.3 billion, compared with $778 million a year ago.

For IGM Financial's Mackenzie Financial unit, total assets under management at December 31, 2006 were $61.5 billion. This compares with assets under management of $49.9 billion at December 31, 2005, an increase of 23.4 per cent. Mutual fund assets under management at December 31, 2006 were $46.6 billion, an increase of 12.0 per cent, compared with $41.6 billion one year ago.

Mackenzie's total sales for 2006 were $11.7 billion, compared with $11.1 billion in the prior year. Total net sales were $2.2 billion, compared with $3.5 billion in 2005.

PARGESA Power Financial holds a 54.1 per cent equity interest in Pargesa, together with the Frère group of Belgium. Pargesa reported operating earnings of SF539 million in 2006, compared with SF509 million in 2005. Growth in operating earnings reflects an increase in the contribution from all of Pargesa's holdings, the impact of dividends received for the first time from Lafarge, and higher contribution from corporate activities, partly offset by the fact that Bertelsmann contributed to earnings for only six months in 2006.

In addition, Pargesa recorded non-operating earnings in 2006 of SF1,754 million, composed primarily of the impact of the gain resulting from the sale by GBL of its interest in Bertelsmann. In 2005, non-operating earnings were SF24 million.

As a result, net earnings reported by Pargesa were SF2,293 million in 2006, compared with SF533 million in 2005.

The group companies' financial results and operations for the year ended December 31, 2006 are discussed at greater length in the Corporation's Management's Discussion and Analysis of Operating Results dated March 21, 2007, available at www.sedar.com or from the Secretary of the Corporation.

TECHNOLOGY Power Technology Investment Corporation (PTIC) was created to provide Power Corporation with technology investment opportunities through direct investments in operating companies and indirect investments such as technology funds, which are based primarily in the United States. PTIC holds several biotechnology interests, of which Neurochem Inc. is the most significant. PTIC holds an effective interest of approximately 18 per cent on a fully diluted basis in Neurochem. Neurochem is focused primarily on the treatment of diseases of the central nervous system, and filed its first new drug application (KIACTA™) in 2006 for which it is awaiting a response from the U.S. Food and Drug Administration (FDA) on or about April 16, 2007. The pivotal North American Phase III study of the investigational product candidate for the treatment of Alzheimer's disease is in the final stages of compiling results which are also expected to be announced in the spring of 2007. If warranted, a new drug application will subsequently be filed with the FDA. In Europe, meanwhile, a similar Phase III clinical study is ongoing.

COMMUNICATIONS Gesca is a wholly owned subsidiary of Power Corporation. As a media group, it is engaged in the publication of seven daily newspapers, including the leading French-language national newspaper *La Presse,* as well as *Le Soleil, Le Droit, Le Nouvelliste, La Tribune, Le Quotidien* and *La Voix de l'Est.* In February 2007, the quality of presentation of *La Presse* was acknowledged by the prestigious Society for News Design, ranking *La Presse* in eighth position among the newspapers having the best design and photography in the world, along with such renowned dailies as *The New York Times, El Mundo* (Spain), *Excelsior* (Mexico) and *The Los Angeles Times.* This distinction is in addition to a number of journalism awards conferred on *La Presse* this year.

In addition, Gesca produces television programming and publishes several specialty magazines and books. Gesca, through its new division, Gesca Digital, operates several Internet sites, including Cyberpresse.ca, LaPresseAffaires.com, Technaute.com, MonToit.ca and MonVolant.ca. On October 26, 2006, Gesca and Torstar Corporation announced that they had purchased Bell Globemedia's 40 per cent interest in the Workopolis Partnership and increased their respective interests to 50 per cent. Prior to completing the

transaction, Gesca held a 20 per cent interest. Workopolis.com is Canada's leading Internet-based careers and recruitment business. Gesca also has a significant interest in the Internet-based classified advertising site LiveDeal.ca as well as in Olive Canada Network, one of Canada's leading online advertising sales networks.

INVESTMENTS IN FUNDS Power Corporation holds positions in several investment funds, private equity funds and hedge funds. Over the years, and again in 2006, these funds have produced returns that, in the view of the Board, are very satisfying.

Established in 2001 and based in Paris, Sagard SAS, a subsidiary of the Corporation, currently manages two private equity funds focusing primarily on the mid-size market in francophone Europe. These two funds – Sagard 1 and 2 – have in aggregate over €1.5 billion of commitments, including €300 million from the Corporation and €250 million from the Pargesa group. Sagard 1 is fully invested and has already disposed of four investments, including two in 2006. Sagard 2 closed its fund-raising in 2006 with €1 billion in commitments, and, by late March 2007, had already made two investments.

ASIA In Asia, Power Corporation holds a 5.2 per cent interest in CITIC Pacific. CITIC Pacific achieved significantly improved results in 2006. Net income increased 107 per cent over the previous year. All of CITIC Pacific's businesses performed well in 2006, particularly the three core business sectors: namely, special steel manufacturing, property and infrastructure. Growth in recurring earnings was also recorded in all of CITIC Pacific's infrastructure sector, which includes aviation, power generation, tunnels and environmental businesses. CITIC Pacific continues its strategic focus on investing in the key sectors of the economy in the People's Republic of China, where it has expertise. This has led to significant gains from disposition of non-core investments in 2006. Given its strong performance in 2006 and sufficient financial resources, CITIC is expected to pay its second special dividend of the last 12 months in addition to its regular dividend for the year.

In 2004, Power Corporation obtained a licence to operate as a Qualified Foreign Institutional Investor, which allows the Corporation to invest in the "A" share market in Mainland China. In 2005 and 2006, the Corporation invested an aggregate amount of US$50 million in these markets. In 2006, the "A" share market recorded a significant appreciation in value resulting from successful regulatory reforms and buoyant prospects for continued growth of the Chinese economy.

Group Developments

On August 4, 2006, Power Financial Corporation issued 8,000,000 Non-Cumulative First Preferred Shares, Series L, for gross proceeds of $200 million. The preferred shares were priced at $25 per share and carry an annual dividend yield of 5.10%. Proceeds from the issue were used to supplement Power Financial's financial resources and for general corporate purposes.

Great-West Lifeco has been pursuing a strategy to expand and broaden its financial services business in the United States, as well as in Europe and globally. In the United States, two acquisitions of 401(k) retirement businesses were announced in 2006, substantially adding to Great-West Life & Annuity's platform. In the United Kingdom during the same period, Great-West Lifeco announced the purchase of two large annuity blocks, totalling C$15 billion.

On February 1, 2007, Great-West Lifeco announced that it had reached an agreement with Marsh & McLennan Companies, Inc. whereby Great-West Lifeco will acquire the asset management business of Putnam Investments Trust, and The Great-West Life Assurance Company will acquire Putnam's 25 per cent interest in T.H. Lee Partners. The parties have made an election under section 338(h)(10) of the U.S. *Internal Revenue Code* that will result in a tax benefit that Great-West Lifeco intends to securitize for approximately US$550 million. In aggregate, these transactions represent a value of US$3.9 billion, equivalent to C$4.6 billion at the time of the announcement.

Established in 1937, Putnam is one of the oldest and largest investment managers in the United States. Putnam had US$192 billion in assets under management at December 31, 2006. With offices in Boston, London and Tokyo, Putnam's approximately 3,000 employees manage US$118 billion in retail assets for U.S. mutual fund investors, US$39 billion for North American institutional accounts and US$35 billion of institutional and retail assets in Europe and Japan.

The acquisition of Putnam's asset management business allows Great-West Lifeco to achieve, with a single transaction, a major presence in the mutual fund and institutional asset management industry in the United States. The acquisition also includes operations in Europe and Asia, and an internationally recognized brand.

Putnam's investment management and distribution cover every major product category, all significant channels and all asset classes. One of its units, PanAgora, offers a leading edge quantitative asset management platform. In the United States, Putnam has 9 million shareholder accounts. In Japan, it distributes mutual funds through a joint venture with Nippon Life, the largest Japanese insurance company.

Funding for the transaction will come from internal resources as well as from proceeds of an issue of Great-West Lifeco common shares of no more than C$1.2 billion, the issuance of debentures and hybrids, a bank credit facility, and an acquisition tax benefit securitization. The transaction is expected to close in the second quarter of 2007, and is subject to regulatory approval and certain other conditions.

In September 2006, Mackenzie Financial Corporation acquired all of the assets of Cundill Investment Research Ltd. and related entities. The Cundill Group is a highly respected investment manager, renowned for its fundamental value approach. Under its long-standing strategic alliance with Mackenzie, the firm serves as a sub-adviser to over $14.25 billion in assets of the Mackenzie Cundill mutual funds and other Mackenzie mandates. The Cundill Group also manages over $3.6 billion of institutional and high net worth mandates to a global client base. The acquisition of the Cundill Group enhances Mackenzie's investment management depth and expertise and augments its distribution presence with institutional, sub-advisory and high net worth accounts.

In January 2006, GBL announced that it had made an investment in Lafarge, a leading international company in cement and building materials. GBL further increased its interest in the company and, as of December 31, 2006, reported that it held a 15.9 per cent interest.

GBL increased its interest in Suez in 2006, and held an 8.0 per cent interest in that company as at December 31, 2006.

On July 4, 2006, GBL completed the sale to Bertelsmann of its 25.1 per cent equity interest in that company for cash consideration of €4.5 billion. The transaction generated a gain of €2.4 billion for GBL.

In January 2007, GBL announced that it had acquired a 5 per cent stake in the capital of Pernod Ricard through purchases in the market. Pernod Ricard produces and distributes wines and spirits on every continent.

The Power Group

Your Directors and management seek to provide sustainable long-term shareholder returns at Power Corporation and at its group companies.

The announcement by Great-West Lifeco of the agreement respecting Putnam Investments Trust is of particular significance as it facilitates the expansion of our group's presence in the financial services industry in the United States. Putnam is a well-established and respected organization with a broad distribution network.

Our group companies continue to be among the leaders in their fields. In the financial services industry in North America, the companies of the Power Financial group are low-cost producers with powerful distribution systems and significant market shares. The Europe-based Pargesa group holds interests in companies that are among the world's leaders in their fields. These companies are well placed to participate in the evolution of their respective industries. Our holdings in Asia, in the biotechnology industry, and in private equity add to our geographic and sectorial diversity, and hold potential.

Your Directors wish to express gratitude on behalf of the shareholders for the important contribution of the employees of Power Corporation and its associated companies to the successful results that have been achieved in the year 2006.

On behalf of the Board of Directors,

Paul Desmarais, Jr., O.C.
Chairman and Co-Chief Executive Officer

André Desmarais, O.C.
President and Co-Chief Executive Officer

March 21, 2007

POWER CORPORATION OF CANADA
REVIEW OF FINANCIAL PERFORMANCE

MARCH 21, 2007

This Annual Report is designed to provide interested shareholders and others with selected information concerning Power Corporation of Canada. For further information concerning the Corporation, shareholders and other interested persons should consult the Corporation's disclosure documents such as its Annual Information Form and Management's Discussion and Analysis of Operating Results. Copies of the Corporation's continuous disclosure documents can be obtained at www.sedar.com, on the Corporation's Web site at www.powercorporation.com, or from the office of the Secretary at the addresses shown at the end of this report.

FORWARD LOOKING STATEMENTS › Certain statements, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's, its subsidiaries' or affiliates' current expectations. These statements may include, without limitation, statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of Power Corporation, its subsidiaries or affiliates for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific. A variety of material factors, many of which are beyond the Corporation's, its subsidiaries' and affiliates' control, affect the operations, performance and results of the Corporation, its subsidiaries and affiliates, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's, its subsidiaries' or affiliates' ability to complete strategic transactions and integrate acquisitions, and the Corporation's, its subsidiaries' or affiliates' success in anticipating and managing the foregoing risks.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's, its subsidiaries' and affiliates' forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to put undue reliance on forward-looking statements.

Other than as specifically required by law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business is provided in its disclosure materials, including its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

[ALL TABULAR AMOUNTS ARE IN MILLIONS OF CANADIAN DOLLARS UNLESS OTHERWISE NOTED.]

Overview

Power Corporation is a holding company whose principal asset is its controlling interest in Power Financial Corporation (Power Financial). As of the date hereof, Power Corporation held a 66.4% equity and voting interest in Power Financial, unchanged from December 31, 2006 and December 31, 2005.

Power Financial holds substantial interests in the financial services industry through its controlling interest in each of Great-West Lifeco Inc. (Lifeco) and IGM Financial Inc. (IGM). Power Financial also holds, together with the Frère group of Belgium, an interest in Pargesa Holding S.A. (Pargesa).

LIFECO

Lifeco has operations in Canada, the United States and Europe through its subsidiaries The Great-West Life Assurance Company (Great-West Life), London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life), and Great-West Life & Annuity Insurance Company (GWL&A).

In Canada, Great-West Life and its operating subsidiaries, London Life and Canada Life, offer a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations, through a network of Freedom 55 Financial and Great-West Life financial security advisers, and through a multi-channel network of brokers, advisers and financial institutions.

In the United States, GWL&A is a leader in providing self-funded employee health plans for businesses and in meeting the retirement income needs of employees in the public/non-profit and corporate sectors. It serves its customers nationwide through a range of health care and financial products and services marketed through brokers, consultants and group representatives, and through partnerships with other financial institutions.

In Europe, Canada Life is broadly organized along geographically defined market segments and offers protection and wealth management products and reinsurance. The Europe segment is composed of two distinct business units: Insurance & Annuities, which consists of operations in the United Kingdom, Isle of Man, Republic of Ireland and Germany; and Reinsurance, which operates primarily in the United States, Barbados and Ireland. Reinsurance products are provided through Canada Life, London Reinsurance Group Inc. (LRG), and their subsidiaries.

At the end of December 2006, Power Financial and IGM held 70.6% and 4.2%, respectively, of Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares.

IGM

IGM is one of Canada's premier personal financial services companies and Canada's largest manager and distributor of mutual funds and other managed asset products. Its activities are carried out principally through its operating subsidiaries, Investors Group Inc. (Investors Group), Mackenzie Financial Corporation (Mackenzie), and Investment Planning Counsel Inc. (Investment Planning Counsel), which offer their own distinctive products and services through separate advice channels.

Investors Group, through a network of over 3,900 consultants nationwide (at December 31, 2006), offers comprehensive financial planning advice and services to its clients, including investment, retirement, estate and tax planning. Investors Group offers investment management, securities, insurance, banking and mortgage products and services to its clients through integrated financial planning.

Mackenzie is a leading investment management firm that was founded in 1967. Mackenzie provides investment advisory and related services. Mackenzie also provides management services to institutional accounts and provides trust and administrative services.

Investment Planning Counsel is an integrated financial services company focused on providing Canadians with high-quality financial products, services and advice, while helping them achieve their financial objectives. Investment Planning Counsel is the fifth largest financial planning firm in Canada.

At the end of December 2006, Power Financial and Great-West Life held 55.9% and 3.5%, respectively, of IGM's common shares.

PARGESA

Power Financial Europe B.V., a wholly owned subsidiary of Power Financial, and the Frère group each hold a 50% interest in Parjointco, which at the end of December 2006 held a 54.1% equity interest in Pargesa, representing 62.9% of the voting rights of that company. As previously disclosed, on March 30, 2006, Pargesa announced the issue and placement of SF600 million debentures convertible into new Pargesa bearer shares, through a public offering in Switzerland and an international private placement to institutional investors. Pargesa has used the proceeds of the offering to subscribe for its 50% share of the €709 million capital increase of Groupe Bruxelles Lambert (GBL). Concurrently with this offering, Pargesa also issued SF60 million debentures convertible into new registered shares, which were fully subscribed by existing registered shareholders of Pargesa, including Parjointco.

The Pargesa group has substantial holdings in major companies based in Europe. These investments are held by Pargesa directly or through its affiliated Belgian holding company, GBL. As of December 31, 2006, its portfolio was composed of interests in various sectors, including oil, gas and chemicals through Total S.A. (Total); energy, water and waste services through Suez; specialty minerals through Imerys; cement and building materials through Lafarge, in which GBL made its first investment during the second part of 2005; and in wine and spirits through Pernod Ricard, in which GBL made its first investment in the latter part of 2006. On January 26, 2007, GBL reported that it held a 5% interest in Pernod Ricard.

As previously disclosed, GBL sold to Bertelsmann its 25.1% equity interest in that company for cash consideration of €4.5 billion, generating a gain of approximately €2.4 billion for GBL. The transaction closed on July 4, 2006. The impact of this gain on Power Financial's non-operating earnings in the third quarter of 2006 was $356 million, and Power Corporation's share of this gain was $236 million.

POWER TECHNOLOGY INVESTMENT CORPORATION

Power Technology Investment Corporation (PTIC) is an investor in the biotechnology and technology sectors. As at December 31, 2006, PTIC held approximately, both directly and indirectly, an 18% interest in Neurochem Inc. and a 12% interest in Adaltis Inc., two public companies based in Montréal. PTIC also holds interests in various U.S.-based technology funds, as well as minority ownership positions in several other companies. Further information concerning Neurochem Inc. and Adaltis Inc. is contained in their respective disclosure documents at www.sedar.com.

GESCA LTÉE

Gesca Ltée (Gesca) is primarily engaged in the publication, through its subsidiaries, of French-language daily newspapers in the provinces of Québec and Ontario, including *La Presse* in Montréal, *Le Droit* in Ottawa and *Le Soleil* in Quebec City, as well as the regional daily newspapers *Le Nouvelliste, La Tribune, La Voix de l'Est* and *Le Quotidien*, and the weekly newspaper *Le Progrès Dimanche*. In addition, Gesca publishes several specialty magazines and books through its subsidiary Les Éditions Gesca, and produces television programming through its subsidiary Les Productions La Presse Télé.

Gesca also owns and operates several Web sites, including cyberpresse.ca and lapresseaffaires.com. On October 26, 2006, Gesca and Torstar Corporation announced that they had acquired the 40 per cent interest previously held by Bell Globemedia in Workopolis, a Canadian employment Web site, and as a result of this transaction, Gesca and Torstar Corporation now each own a 50% interest in Workopolis.

ASIA

In Asia, the most significant investment of the Corporation is its 5.2% interest in CITIC Pacific, a public corporation whose shares are listed on the Hong Kong Stock Exchange. CITIC Pacific's businesses span manufacturing special steel, developing and investing in real estate properties, power generation, civil infrastructure, communications and aviation in Hong Kong and mainland China. CITIC Pacific is also engaged in marketing and distributing motor vehicles and consumer products throughout China.

In addition, Power Corporation is involved in selected investment projects in China and was granted in October 2004 a license to operate as a Qualified Foreign Institutional Investor (QFII) in the Chinese 'A' shares market, for an amount of US$50 million.

INVESTMENT IN FUNDS AND SECURITIES

Over the years, Power has invested directly or through wholly owned subsidiaries in a number of selected investment funds, hedge funds and securities.

In 2002, Power made a commitment of €100 million to Sagard Private Equity Partners (Sagard 1), a €535 million fund, in which GBL also made a commitment of €50 million. Sagard 1 has completed 12 investments, two of which were sold during the second quarter of 2006 and an additional two of which were sold since the beginning of 2007.

In 2006, Sagard 2 was launched, a new fund with the same investment strategy as Sagard 1. This new fund closed with total commitments of €1.0 billion. Power made a €200 million commitment to Sagard 2, while Pargesa and GBL made commitments of €50 million and €150 million, respectively. As of March 9, 2007, Sagard 2 has completed two investments.

The Sagard 1 and 2 funds are managed by Sagard S.A.S., a subsidiary of the Corporation based in Paris, France.

In addition, the Corporation is also in the process of reviewing investment opportunities in the United States, and currently plans to allocate a portion of its cash resources (initially limited to a maximum of US$250 million) to this initiative.

Outstanding number of participating shares

As of March 21, 2007, there were 48,854,772 Participating Preferred Shares, unchanged from December 31, 2006 and December 31, 2005, and 404,851,082 Subordinate Voting Shares of the Corporation outstanding, compared with 402,606,144 as of December 31, 2006 and 400,264,694 as of December 31, 2005. The increase in the number of outstanding Subordinate Voting Shares reflects the exercise of options under the Corporation's Executive Stock Option Plan.

Basis of presentation and summary of accounting policies

The Consolidated Financial Statements of the Corporation have been prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP) and are presented in Canadian dollars.

Inclusion of Pargesa's results

The investment in Pargesa is accounted for by Power Financial under the equity method. As described above, the Pargesa portfolio currently consists primarily of investments in Imerys, Total, Suez, Lafarge and Pernod Ricard, which are held by Pargesa directly or through GBL. The contribution from Total, Suez and Lafarge to GBL's earnings in 2005 and 2006 consists of the dividends received from these companies (Lafarge did not contribute to earnings in 2005 as the investments were made by GBL after Lafarge paid its annual dividend). Pernod Ricard did not contribute to earnings in 2006 as GBL made its initial investment in the latter part of 2006. As a consequence of the sale by GBL of its 25.1% equity interest in Bertelsmann in early July 2006, Bertelsmann ceased to contribute to Pargesa's earnings after the end of June 2006.

As already disclosed, Pargesa, which previously prepared its financial statements in accordance with Swiss generally accepted accounting principles, adopted IFRS at the end of 2005, and accordingly restated its 2005 interim financial results. As a result of adopting IFRS, Pargesa no longer amortizes goodwill in the preparation of its financial statements.

The contribution to Power Financial's earnings is based on the economic (flow-through) presentation of results used by Pargesa. Pursuant to this presentation, "operating income" and "non-operating income" are presented separately by Pargesa. Power Financial's share of non-operating income of Pargesa, after adjustments or reclassifications if necessary, is included as part of Other income in the Corporation's financial statements.

Results of Power Corporation of Canada

This section is an overview of the results of Power Corporation. In this section, consistent with past practice, the contributions from Power Financial, Gesca and PTIC are accounted for using the equity method in order to facilitate the discussion and analysis. This presentation has no impact on Power Corporation's net earnings, and is intended to assist readers in their analysis of the results of the Corporation. See Note 26 to Power Corporation's consolidated financial statements.

NON-GAAP FINANCIAL MEASURES

In analysing the financial results of the Corporation and consistent with the presentation in previous years, net earnings are subdivided in this section into the following components:

- operating earnings; and
- other items, which includes, but is not limited to, the impact on the Corporation's net earnings of Other income as presented in the Corporation's Consolidated Statements of Earnings (net of income tax and non-controlling interests, if any).

Management has used these performance measures for many years in its presentation and analysis of the financial performance of Power Corporation, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation.

"Operating earnings" exclude the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful, and also excludes the Corporation's share of any such item presented in a comparable manner by its subsidiaries.

Operating earnings and operating earnings per share are non-GAAP financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities.

The following table shows a reconciliation of the non-GAAP financial measures discussed above with the financial statements of Power Corporation.

TWELVE MONTHS ENDED DECEMBER 31	2006			2005		
	OPERATING EARNINGS	OTHER ITEMS, NET	AS PER FINANCIAL STATEMENTS	OPERATING EARNINGS	OTHER ITEMS, NET	AS PER FINANCIAL STATEMENTS
Earnings before share of earnings of affiliates, other income, income taxes and non-controlling interests	**3,658**		**3,658**	3,398	(53)	3,345
Share of earnings of affiliates	**110**		**110**	110		110
Earnings before other income, income taxes and non-controlling interests	**3,768**		**3,768**	3,508	(53)	3,455
Other income [charges]		**338**	**338**		(7)	(7)
Earnings before income taxes and non-controlling interests	**3,768**	**338**	**4,106**	3,508	(60)	3,448
Income taxes	**954**	**(14)**	**940**	920	(10)	910
Non-controlling interests	**1,648**	**125**	**1,773**	1,517	(32)	1,485
Net earnings	**1,166**	**227**	**1,393**	1,071	(18)	1,053
Per share	**2.49**	**0.51**	**3.00**	2.32	(0.04)	2.28

THREE MONTHS ENDED DECEMBER 31	2006			2005		
	OPERATING EARNINGS	OTHER ITEMS, NET	AS PER FINANCIAL STATEMENTS	OPERATING EARNINGS	OTHER ITEMS, NET	AS PER FINANCIAL STATEMENTS
Earnings before share of earnings of affiliates, other income, income taxes and non-controlling interests	**906**		**906**	905	(20)	885
Share of earnings of affiliates	**26**		**26**	37		37
Earnings before other income, income taxes and non-controlling interests	**932**		**932**	942	(20)	922
Other income [charges]		**(10)**	**(10)**		(2)	(2)
Earnings before income taxes and non-controlling interests	**932**	**(10)**	**922**	942	(18)	924
Income taxes	**212**	**–**	**212**	248	(2)	246
Non-controlling interests	**420**	**1**	**421**	404	(11)	393
Net earnings	**300**	**(11)**	**289**	290	(5)	285
Per share	**0.64**	**(0.02)**	**0.62**	0.62	(0.01)	0.61

Review of financial performance

EARNINGS SUMMARY — CONDENSED SUPPLEMENTARY STATEMENTS OF EARNINGS

	TWELVE MONTHS ENDED DECEMBER 31				THREE MONTHS ENDED DECEMBER 31			
	2006		2005		2006		2005	
	TOTAL[1]	PER SHARE	TOTAL[1]	PER SHARE	TOTAL[1]	PER SHARE	TOTAL[1]	PER SHARE
Contribution to operating earnings from subsidiaries	**1,139**		1,079		**293**		283	
Results from corporate activities	**27**		(8)		**7**		7	
Operating earnings[2]	**1,166**	**2.49**	1,071	2.32	**300**	**0.64**	290	0.62
Other items	**227**	**0.51**	3	0.01	**(11)**	**(0.02)**	2	0.01
Share of specific charge recorded by Lifeco			(21)	(0.05)			(7)	(0.02)
Net earnings	**1,393**	**3.00**	1,053	2.28	**289**	**0.62**	285	0.61

[1] Before dividends on preferred shares issued by the Corporation, which amounted to $42 million and $32 million in the twelve-month periods ended December 31, 2006 and 2005, respectively, and to $10 million in the three-month periods ended December 31, 2006 and 2005.

[2] Operating earnings per share are calculated after deducting dividends on perpetual preferred shares from operating earnings.

OPERATING EARNINGS

Operating earnings for the year ended December 31, 2006 were $1,166 million or $2.49 per share, compared with $1,071 million or $2.32 per share in the corresponding period of 2005. This represents a 7.6% increase on a per share basis.

For the three-month period ended December 31, 2006, operating earnings were $300 million or $0.64 per share, compared with $290 million or $0.62 per share in the fourth quarter of 2005, an increase of 3.0% on a per share basis.

SHARE OF OPERATING EARNINGS FROM SUBSIDIARIES

Power Corporation's share of operating earnings from its subsidiaries was $1,139 million in 2006, compared with $1,079 million in 2005, an increase of $60 million or 5.6%. For the fourth quarter of 2006, compared with the corresponding period in 2005, the increase was 3.5%, from $283 million in 2005 to $293 million in 2006.

Power Financial, which makes the most significant contribution to the Corporation's earnings, reported operating earnings of $1,802 million or $2.46 per share in 2006, compared with $1,694 million or $2.33 per share in 2005. On a per share basis, this represents an increase of 5.7%. For the three-month period ended December 31, 2006, Power Financial reported operating earnings of $472 million or $0.65 per share compared with $450 million or $0.61 per share in the same period in 2005, which represents an increase of 4.7% on a per share basis.

RESULTS FROM CORPORATE ACTIVITIES

Results from corporate activities include income from investments, operating expenses, depreciation and income taxes. Corporate activities contributed a net profit of $27 million to operating earnings in 2006, compared with a net charge of $8 million last year. The improvement in corporate activities compared to last year is due primarily from higher income from investments, reflecting a net combination of various elements. Among others, income from investments includes in 2006 an aggregate amount of $37 million representing the Corporation's share of pre-tax profits resulting from the sale by Sagard 1 of two of its investments. Income from investments in 2006 also reflects improved returns from cash management, as well as an increase in the contribution from investments in Asia compared with last year, while the contribution from investment funds was lower than in 2005.

For the three-month period ended December 31, 2006 and 2005, results from corporate activities were a profit of $7 million.

OTHER ITEMS

Other items amounted to $227 million or $0.51 per share in 2006, and consisted mainly of the Corporation's share of other items recorded by Power Financial, as well as non-recurring items related to PTIC. Included in Other items is an amount of $236 million, or $0.52 per share, recorded in the third quarter and representing the impact of the gain resulting from the sale by GBL of its interest in Bertelsmann. Other items for the three-month period ended December 31, 2006 were a charge of $11 million or $0.02 per share.

In 2005, Other items amounted to $3 million and $2 million for the twelve-month and three-month periods ended December 31, respectively. Other items in 2005 included Power Corporation's share of other items recorded by Power Financial, as well as, in the first quarter of 2005, its share of non-recurring items recorded by PTIC.

SHARE OF SPECIFIC CHARGE RECORDED BY LIFECO

In 2005, the specific charge of $21 million or $0.05 per share ($7 million or $0.02 per share in the fourth quarter) represented the Corporation's share of a $43 million after-tax charge recorded by Lifeco ($13 million in the fourth quarter), related to provisions for expected losses arising from hurricane damage. There were no such charges in 2006.

NET EARNINGS

Net earnings were $1,393 million or $3.00 per share in 2006, compared with $1,053 million or $2.28 per share in 2005. For the fourth quarter ended December 31, net earnings were $289 million or $0.62 per share in 2006, compared with $285 million or $0.61 per share in 2005.

Financial position, liquidity and capital resources

CONDENSED SUPPLEMENTARY BALANCE SHEET

DECEMBER 31	2006	2005	2006	2005
	CONSOLIDATED BASIS			EQUITY BASIS[1]
Assets				
Cash and cash equivalents	**5,785**	5,332	**641**	671
Investments at equity	**2,182**	1,554	**6,848**	5,609
Other investments	**95,661**	87,773	**917**	842
Other assets	**29,059**	18,340	**346**	306
Total	**132,687**	112,999	**8,752**	7,428
Liabilities				
Policy liabilities				
Actuarial liabilities	**89,363**	71,263		
Other	**4,488**	3,787		
Other liabilities	**12,579**	14,719	**151**	169
Preferred shares of subsidiaries	**1,625**	1,656		
Capital trust securities and debentures	**646**	648		
Debentures and other borrowings	**3,402**	3,427		
	112,103	95,500	**151**	169
Non-controlling interests	**11,983**	10,240		
Shareholders' equity				
Non-participating shares	**795**	795	**795**	795
Participating shares[2]	**7,806**	6,464	**7,806**	6,464
Total	**132,687**	112,999	**8,752**	7,428
Consolidated assets and assets under administration	**342,197**	288,390		

[1] Condensed supplementary balance sheet of the Corporation with Power Financial, Gesca and PTIC accounted for using the equity method. The 2005 presentation has been adjusted to conform to the presentation adopted in 2006.

[2] Includes Participating Preferred Shares and Subordinate Voting Shares.

CONSOLIDATED BASIS

The consolidated balance sheets include Power Financial's, Lifeco's and IGM's assets and liabilities.

Total assets increased to $132,687 million at December 31, 2006, compared with $112,999 million at December 31, 2005. The increase in assets is mainly attributable to Lifeco and results primarily both from the acquisition of approximately $10.2 billion of payout annuities business from The Equitable Life Assurance Society in the United Kingdom, as well as an increase of $8.0 billion in invested assets.

Preferred shares of subsidiaries represent soft-retractable preferred shares issued by Power Financial, Lifeco and IGM, while perpetual preferred shares issued by subsidiaries, for a total of $2,653 million at December 31, 2006, are classified under Non-controlling interests.

Assets under administration include segregated funds of Lifeco and IGM's assets under management, at market values. The market value of Lifeco's segregated funds was $90 billion at the end of December 2006, compared with $75 billion at the end of 2005. IGM's assets under management at market value, including those of Mackenzie and Investment Planning Counsel, were $119 billion at December 31, 2006, compared with $100 billion at the end of 2005.

EQUITY BASIS

Under the equity basis presentation, Power Financial, Gesca and PTIC are accounted for using the equity method. This presentation has no impact on Power Corporation's Shareholders' equity, and is intended to assist readers in isolating the contribution of Power Corporation, as the parent company, to consolidated assets and liabilities.

Cash and cash equivalents held by Power Corporation amounted to $641 million at the end of December 2006, compared with $671 million at the end of December 2005.

In managing its own cash and cash equivalents, the Corporation may hold cash balances or invest in short-term paper or equivalents, as well as deposits, denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, the Corporation from time to time enters into currency-hedging transactions with highly rated financial institutions. At December 31, 2006, 87% of the $641 million of cash and cash equivalents were denominated in Canadian dollars.

Investments are principally composed of the carrying value of the Corporation's interest in its subsidiaries Power Financial, Gesca and PTIC, and the carrying value of its portfolio of funds and other securities.

The carrying value of Power Corporation's investment in its subsidiaries increased to $6,848 million at December 31, 2006, compared with $5,609 million at December 31, 2005. The variance includes primarily:

› Power Corporation's share of net earnings from its subsidiaries, net of dividends received, for a net amount of $893 million; and

› a net $289 million positive variation in foreign currency translation adjustments, related principally to the Corporation's indirect investment through Power Financial in Lifeco's foreign operations and in Pargesa.

Other investments (excluding investments held by PTIC) amounted to $917 million at the end of December 2006, compared with $842 million at the end of 2005. The carrying value of the portfolio of marketable securities was $553 million ($496 million at the end of 2005) and consisted primarily of the carrying value of the investment in CITIC Pacific for $485 million, $65 million representing the carrying value of the portfolio of securities and funds held as part of the QFII operations in China which started in 2005, as well as other marketable securities. The carrying value of the portfolio of investment funds held by the Corporation (excluding funds held by PTIC) was $350 million at the end of December 2006, compared with $330 million at December 31, 2005. This figure does not include outstanding commitments to make future capital contributions to investment funds for an aggregate amount of $404 million, including remaining commitments of $34 million for Sagard 1 and $305 million for Sagard 2, respectively, in Europe ($101 million for investment funds, including $34 million for Sagard 1 at the end of 2005). In addition, the Corporation is reviewing investment opportunities in the United States, as described above.

Cash flows

CONSOLIDATED CASH FLOWS

	TWELVE MONTHS ENDED DECEMBER 31		THREE MONTHS ENDED DECEMBER 31	
	2006	2005	2006	2005
Cash flow from operating activities	**4,506**	4,584	**927**	707
Cash flow from financing activities	**(592)**	(377)	**(181)**	235
Cash flow from investing activities	**(3,741)**	(2,731)	**(987)**	(616)
Effect of changes in exchange rates on cash and cash equivalents	**280**	(286)	**209**	(20)
Increase in cash and cash equivalents	**453**	1,190	**(32)**	306
Cash and cash equivalents, beginning of year	**5,332**	4,142	**5,817**	5,026
Cash and cash equivalents, end of year	**5,785**	5,332	**5,785**	5,332

On a consolidated basis, cash and cash equivalents increased by $453 million in the twelve-month period ended December 31, 2006, compared with an increase of $1,190 million in the corresponding period in 2005.

Operating activities produced a net inflow of $4,506 million in the twelve-month period in 2006, compared with a net inflow of $4,584 million in the corresponding period in 2005.

› For 2006, Lifeco's cash flow from operations was $3,812 million, compared with $3,951 million in 2005. The decrease in cash flow from operations is mainly due to higher payments to policyholders, offset somewhat by higher premium income and investment income. For the three-month period ended December 31, 2006, cash flow from operations increased compared with the same period in 2005, due mainly to higher premium income and investment income, partially offset by higher payments to policyholders. Cash flows generated by operations are mainly invested to support future liability cash requirements.

› Operating activities of IGM, before payment of commissions, generated $1,032 million in 2006, as compared to $942 million in 2005. Cash commissions paid were $345 million in 2006, compared with $337 million in 2005.

Cash flows from financing activities, which include dividends paid on participating and non-participating shares of the Corporation as well as dividends paid by subsidiaries to non-controlling interests, resulted in net outflows of $592 million in 2006, compared with net outflows of $377 million in 2005.

Financing activities for the year ended December 31, 2006 compared to the same period in 2005 include:

› Dividends paid on a consolidated basis in 2006 of $1,100 million, compared with $924 million in 2005.

› Repayment of debentures and other borrowings of $400 million, consisting of the redemption by Power Financial of its $150 million debentures that matured in January 2006, and the repayment of $250 million of subordinated debentures by a subsidiary of Lifeco.

› Repurchase for cancellation by subsidiaries of the Corporation of their common shares in the amount of $67 million in 2006, compared with $80 million in 2005.

› Issue of preferred shares by Power Financial in the amount of $200 million and by Lifeco in the amount of $300 million.

› Issue of subordinated debentures by a subsidiary of Lifeco in the amount of $351 million.

Cash flow from investing activities resulted in net outflows of $3,741 million in 2006, compared with net outflows of $2,731 million in 2005.

› Investing activities at Lifeco in 2006 resulted in a net outflow of $3,405 million, compared with $2,511 million in 2005.

› Investing activities at IGM were a net outflow of $98 million in 2006, compared with a net outflow of $26 million in 2005.

CORPORATE CASH FLOWS

Power Corporation is a holding company. As such, corporate cash flows from operations, before payment of dividends on the non-participating shares and on the participating shares, are principally made up of dividends received from subsidiaries and income from investments, less operating expenses and taxes. A significant component of corporate cash flows is made up of dividends received from Power Financial, which is also a holding company. In 2006, Power Financial declared dividends of $1.00 per share on its common shares, compared with $0.87 in 2005.

The quarterly dividends paid by Power Corporation on its participating shares in 2006 were $0.16875 in the first quarter and $0.1975 in the second, third and fourth quarters for a total of $0.76125 in 2006, compared with $0.14375 in the first quarter of 2005 and $0.16875 in the second, third and fourth quarters of 2005 for a total of $0.65 in 2005. This represents a 17% increase.

Shareholders' equity

Shareholders' equity, including non-participating shares issued by the Corporation, was $8,601 million at the end of December 2006, compared with $7,259 million at the end of 2005.

Non-participating shares of the Corporation consist of five series of First Preferred Shares with an aggregate stated amount of $795 million as of December 31, 2006 (unchanged from December 31, 2005), of which $750 million are non-cumulative. All of these series are perpetual preferred shares and redeemable in whole or in part at the option of the Corporation from specific dates. The First Preferred Shares, 1986 Series, with a stated value of $45 million at December 31, 2006 (unchanged from the end of 2005), have a "sinking fund" provision under which the Corporation will make all reasonable efforts to purchase on the open market 20,000 shares per quarter. No such shares were purchased in 2006.

Excluding preferred shares, participating shareholders' equity was $7,806 million at December 31, 2006, compared with $6,464 million at December 31, 2005. The increase of $1,342 million was primarily due to:

› a $1,002 million increase in retained earnings; and

› a $293 million positive variation in foreign currency translation adjustments, relating primarily to the Corporation's indirect investments through Power Financial in Lifeco's foreign operations and Pargesa.

In addition, the Corporation issued 2,341,450 Subordinate Voting Shares in 2006 (4,173,630 in 2005) under the Executive Stock Option Plan, resulting in an increase in stated capital of $25 million (corresponding period in 2005 — $28 million). Book value per participating share of the Corporation was $17.29 at the end of December 2006, compared with $14.39 at the end of 2005.

RATINGS OF THE CORPORATION

As of the date hereof, ratings of certain of the Corporation's securities are as follows:

	DOMINION BOND RATING SERVICE[1]	STANDARD & POOR'S RATINGS SERVICES[2]
Issuer rating	A [high]	A
Preferred		
Cumulative shares	Pfd-2 [high]	Canadian scale P-2 [High] Global scale BBB+
Non-cumulative	Pfd-2 [high]	Canadian scale P-2 [High] Global scale BBB+

[1] Ratings were upgraded on April 18, 2006. On February 7, 2007, Dominion Bond Rating Service placed the ratings "Under Review with Developing Implications" following the annnouncement by Lifeco to acquire Putnam Investments Trust [Putnam].

[2] The outlook and the Corporation's ratings are stable. On February 1, 2007, Standard & Poor's Ratings Services confirmed ratings were unaffected following the announcement by Lifeco to acquire Putnam.

Summary of critical accounting estimates

The preparation of financial statements in conformity with Canadian GAAP requires management of the Corporation, as well as management of the subsidiaries, to adopt accounting policies and to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. A summary of major critical accounting policies and related judgments underlying the Consolidated Financial Statements is presented below. In applying these policies, management of the Corporation and management of the subsidiaries make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the insurance, the mutual fund and other financial services industries; others are specific to the Corporation's and its subsidiaries' businesses and operations.

The Corporation's general accounting policies are described in detail in Note 1 to the Consolidated Financial Statements. Accounting estimates are used in particular with respect to the following items:

ACTUARIAL LIABILITIES > Actuarial liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with Lifeco. The Appointed Actuaries of Lifeco's subsidiary companies are responsible for determining the amount of the actuarial liabilities to make appropriate provision for the obligations of the companies to policyholders. The Appointed Actuaries determine the actuarial liabilities using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the Canadian Asset Liability Method. This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment. In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that actuarial liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness. Additional details regarding these adjustments and estimations can be found in Note 10 of the Consolidated Financial Statements.

INCOME TAXES > As for any group conducting its businesses in multiple jurisdictions, the Corporation and its Canadian subsidiaries are (in addition to local tax rules applicable to their foreign subsidiaries) subject to a regime of specialized rules prescribed under the Income Tax Act (Canada) for purposes of determining the amount of the Corporation's income that will be subject to tax in Canada. Accordingly, the determination of the Corporation's provision for income taxes involves the application of these complex rules in respect of which alternative interpretations may arise. Management of the Corporation and its subsidiaries recognize that interpretations they may make in connection with tax filings may ultimately differ from those made by the tax authorities. Tax planning may allow the companies to record lower income taxes in the current year and, as well, income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of the provisions.

Substantial future income tax assets are recognized in the Consolidated Financial Statements of the Corporation. The recognition of future tax assets depends on the assumption that future earnings will be sufficient to realize the deferred benefit. The amount of the future tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities.

If management's interpretation of tax legislation differs from that of local tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods.

EMPLOYEE FUTURE BENEFITS > Accounting for pension and other post-retirement benefits requires estimates of future returns on plan assets, expected increases in compensation levels, trends in health care costs, as well as the appropriate discount rate for the determination of accrued benefit obligations. These estimates are discussed in Note 20 to the Consolidated Financial Statements.

GOODWILL AND INTANGIBLE ASSETS > The impairment tests on goodwill and intangible assets involve the use of estimates and assumptions appropriate in the circumstances. As at December 31, 2006, goodwill totalled $8,454 million and intangible assets totalled $2,745 million. (See Note 7 to the Consolidated Financial Statements.)

DEFERRED SELLING COMMISSIONS > Commissions paid by IGM on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. IGM regularly reviews the carrying value of the deferred selling commissions with respect to any events or circumstances that indicate impairment or that an adjustment to the amortization period is necessary.

Future accounting changes

Effective January 1, 2007, the Corporation will be required to comply with the new provisions of the Canadian Institute of Chartered Accountants (CICA) Handbook on Accounting for Financial Instruments. The new sections on Financial Instruments, Hedges and Comprehensive Income, including revisions to the section on Life Insurance Enterprises and many other sections, replace all previous guidance on these items issued by the CICA.

These standards require that all financial assets be classified as available for sale, held to maturity, trading or loans and receivables. The standards require that all financial assets be carried at fair value, if determinable, in the balance sheet, except loans and receivables, including mortgages and securities classified as held to maturity, which would be carried at amortized cost using the effective interest method. Financial liabilities must be classified as either trading, which would be carried at fair value, or other, which would be carried at amortized cost using the effective interest method.

Changes in the fair value of trading securities are required to be reported in earnings, while changes in the fair value of securities that are available for sale are required to be recorded in Other comprehensive income until realized or impaired, at which time they are required to be recorded in the statement of earnings. All derivatives, including embedded derivatives that must be separately accounted for, except those described below, must be recorded at fair value in the balance sheet and the changes in fair value must be recorded in the statement of earnings.

Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness may offset changes in fair values or cash flows of hedged items. A hedge must be designated as a cash flow hedge, fair value hedge, or a hedge of net investments in self-sustaining foreign operations. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the statement of earnings. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which will be reclassified to earnings when the hedged transaction impacts earnings. Any hedge ineffectiveness on a cash flow hedge must be recorded in the statement of earnings.

The Consolidated Statement of Comprehensive Income will be included in the Corporation's financial statements. Unrealized gains and losses on financial assets that will be held as available for sale, the effective portion of changes in the fair value of cash flow hedging instruments and unrealized foreign currency translation gains and losses will be recorded in the Statement of Comprehensive Income until recognized in the statement of earnings. Accumulated other comprehensive income will form part of shareholders' equity.

Securitizations

IGM's liquidity management practices include the periodic transfers of mortgages and personal loans to commercial paper conduits that in turn issue securities to investors. IGM retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. During the course of 2006, IGM entered into securitization transactions through its mortgage banking operations with proceeds of $1,302 million (2005 — $251 million). Securitized loans serviced at December 31, 2006 totalled $1,547 million, compared with $559 million in 2005. The fair value of IGM's retained interest was $43 million at December 31, 2006 and $16 million in 2005. (See also Note 5 to the Consolidated Financial Statements.)

Derivative financial instruments

In the course of their activities, the Corporation and its subsidiaries use derivative financial instruments. When using such derivatives, they only act as limited end-users and not as market-makers in such derivatives.

The Corporation and its subsidiaries have each established operating policies and processes relating to the use of derivative financial instruments, which in particular aim at:

- prohibiting the use of derivative instruments for speculative purposes;
- documenting transactions and ensuring their consistency with risk management policies;
- demonstrating the effectiveness of the hedging relationships, and
- monitoring the hedging relationship.

The use of derivatives is monitored and reviewed on a regular basis by senior management of the companies.

As at December 31, 2006, the notional amount of outstanding derivative contracts entered into by the Corporation and its subsidiaries was $10,555 million (2005 — $8,565 million), with a maximum credit risk and total fair value of $633 million and $411 million, respectively (2005 — $748 million and $653 million, respectively). Maximum credit risk represents the current market value of the instruments which were in a gain position only; fair value represents the net amount at which an instrument could be bought or sold in a current transaction between willing parties.

See Notes 1 and 23 to the Consolidated Financial Statements for more information on the type of derivative financial instruments used by the Corporation and its subsidiaries.

There were no major changes to the Corporation's and its subsidiaries' policies and procedures with respect to the use of derivative instruments in 2006.

Guarantees

GUARANTEES › The Corporation follows AcG-14, Disclosure of Guarantees, which identifies disclosure requirements for certain guarantees or groups of similar guarantees, even when the likelihood of the guarantor having to make any payment is remote. In addition, in the normal course of their businesses, the Corporation and its subsidiaries may enter into certain agreements, the nature of which precludes the possibility of making a reasonable estimate of the maximum potential amount the guarantor could be required to pay third parties as some of these agreements do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined.

LETTERS OF CREDIT › In the normal course of its Reinsurance business, Lifeco's subsidiaries provide letters of credit (LOC) to other parties or beneficiaries. A beneficiary will typically hold a LOC as collateral in order to secure statutory credit for reserves ceded to or amounts due from Lifeco's subsidiaries. A LOC may be drawn upon demand. If an amount is drawn on a LOC by a beneficiary, the bank issuing the LOC will make a payment to the beneficiary for the amount drawn, and Lifeco's subsidiaries will become obligated to repay this amount to the bank.

Lifeco, through certain of its operating subsidiaries, has provided LOC to both external and internal parties, which are described in Note 24 to the Consolidated Financial Statements.

Commitments/contractual obligations

The following table provides a summary of future consolidated contractual obligations.

					PAYMENTS DUE BY PERIOD
	TOTAL	LESS THAN 1 YEAR	1–3 YEARS	4–5 YEARS	MORE THAN 5 YEARS
Debentures and other borrowings[1]	3,402	1	2	485	2,914
Operating leases[2]	656	137	229	115	175
Purchase obligations[3]	29	20	7	2	–
Contractual commitments[4]	643				
Total	4,730				
Letters of credit — see note 5 below					

[1] Please refer to Note 11 to the Consolidated Financial Statements for further information.
[2] Includes office space and certain equipment used in the normal course of business. Lease payments are charged to operations in the period of use.
[3] Purchase obligations are commitments to acquire goods and services, essentially related to information services.
[4] Includes $239 million of commitments by Lifeco, which are essentially for investment transactions made in the normal course of operations, in accordance with its policies and guidelines, which are to be disbursed upon fulfilment of certain contract conditions. The balance represents $404 million of outstanding commitments from Power Corporation to make future capital contributions to investment funds; the exact amount and timing of each capital contribution cannot be determined.
[5] Letters of credit are written commitments provided by a bank. Please refer to Note 25 of the Consolidated Financial Statements.

Financial instruments and other instruments

The following table presents the book value and the fair value of on-balance sheet financial instruments (please refer to Note 22 to the Consolidated Financial Statements), as well as the fair value of derivative financial instruments (please refer to Note 23 to the Consolidated Financial Statements).

AS AT DECEMBER 31		2006		2005
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	**5,785**	**5,785**	5,332	5,332
Investments [excluding real estate]	**93,443**	**96,313**	85,929	89,776
Other financial assets	**14,996**	**14,996**	5,007	5,007
Total financial assets	**114,224**	**117,094**	96,268	100,115
Liabilities				
Deposits and certificates	**778**	**779**	693	694
Debentures and other borrowings	**3,402**	**3,888**	3,427	3,938
Other financial liabilities	**7,372**	**7,372**	9,654	9,654
Total financial liabilities	**11,552**	**12,039**	13,774	14,286
Derivative financial instruments		**411**		653

Subsequent event

On February 1, 2007, Lifeco announced that it had entered into agreements with Marsh & McLennan Companies, Inc. whereby Lifeco will acquire the asset management business of Putnam Investments Trust (Putnam), and Great-West Life will acquire Putnam's 25% interest in T.H. Lee Partners for approximately $410 million (US$350 million). The parties will make an election under section 338(h)(10) of the U.S. Internal Revenue Code that will result in a tax benefit that Lifeco intends to securitize for approximately $644 million (US$550 million). In aggregate these transactions represent a value of approximately $4.6 billion (US$3.9 billion).

Lifeco expects that funding for the transaction will come from internal resources, as well as from proceeds of an issue of Lifeco common shares of no more than $1.2 billion, the issuance of debentures and hybrids, a bank credit facility, and an acquisition tax benefit securitization. The transaction is expected to close in the second quarter of 2007, subject to regulatory approval and certain other conditions.

Selected annual information

FOR THE YEARS ENDED DECEMBER 31	2006	2005	2004
Revenues	**30,302**	26,561	24,317
Operating earnings before other items[1]	**1,166**	1,071	954
per share — basic	**2.49**	2.32	2.08
Net earnings[2]	**1,393**	1,053	949
per share — basic	**3.00**	2.28	2.07
per share — diluted	**2.97**	2.25	2.03
Consolidated assets	**132,687**	112,999	105,940
Consolidated assets and assets under administration[2]	**342,197**	288,390	261,594
Consolidated long-term liabilities			
Debentures and other borrowings	**3,402**	3,427	3,640
Shareholders' equity	**8,601**	7,259	6,602
Book value per share	**17.29**	14.39	13.61
Number of participating shares outstanding [millions]			
Participating preferred shares	**48.9**	48.9	48.9
Subordinate voting shares	**402.6**	400.3	396.1
Dividends per share [declared]			
Participating shares	**0.76125**	0.6500	0.5531
First preferred shares			
1986 Series	**1.9845**	1.5181	1.4096
Series A	**1.4000**	1.4000	1.4000
Series B	**1.3375**	1.3375	1.3375
Series C	**1.4500**	1.4500	1.4500
Series D[3]	**1.2500**	0.3014	

[1] Operating earnings and operating earnings per share are non-GAAP financial measures.

[2] Assets under administration include segregated funds of Lifeco and IGM's assets under management, at market value. The market value of Lifeco's segregated funds was $90 billion in 2006, $75 billion in 2005 and $69 billion in 2004. IGM's assets under management were $119 billion in 2006, $100 billion in 2005 and $86 billion in 2004.

[3] Issued in October 2005.

Summary of quarterly results

In this table, all per share amounts are presented on a post-subdivision basis.

	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**9,240**	**7,288**	**7,375**	**6,399**	7,236	5,839	6,403	7,083
Operating earnings[1][2][3]	**300**	**273**	**339**	**254**	290	258	292	231
per share — basic	**0.64**	**0.58**	**0.73**	**0.54**	0.62	0.56	0.64	0.50
Other items[2]	**(11)**	**236**	**2**	**–**	(5)	(16)	2	1
per share — basic	**(0.02)**	**0.52**	**–**	**–**	(0.01)	(0.04)	0.00	0.00
Net earnings	**289**	**509**	**341**	**254**	285	242	294	232
per share — basic	**0.62**	**1.10**	**0.73**	**0.54**	0.61	0.52	0.64	0.50
per share — diluted	**0.61**	**1.09**	**0.73**	**0.54**	0.60	0.51	0.63	0.50

[1] The contribution from Pargesa to operating earnings includes Pargesa's share of the dividends paid by Total and Suez, and, starting in 2006, its share of the dividends paid by Lafarge, as well as, for the last time in 2006, Pargesa's share of the portion of the dividend received by GBL from Bertelsmann, which was considered a preferred dividend [Pargesa's share: SF37 million in 2006 and SF30 million in 2005] and thus recorded as income. These dividends contribute significantly to Pargesa's operating results. Dividends from Suez, Lafarge and Bertelsmann are received once a year, during the second quarter. Total pays its dividend in two instalments, in the second and fourth quarter.

[2] Lifeco recorded, in the third and fourth quarters of 2005, reinsurance provisions of $30 million and $13 million after tax, respectively, for expected losses arising from hurricane damages in 2005. Power Corporation's share of this specific charge was $14 million or $0.03 per share in the third quarter, and $7 million or $0.02 per share in the fourth quarter of 2005. In addition, Other items in 2005 also included the impact of restructuring costs recorded by Lifeco in connection with the acquisition of Canada Life.

Other items also include, in the second quarter of 2006, the Corporation's share of tax benefits recorded by IGM, as well as in the third quarter of 2006, an amount of $236 million representing the impact on the Corporation of the gain recorded by GBL as a result of the sale of its interest in Bertelsmann.

[3] For a definition of this non-GAAP financial measure, please refer to Results of Power Corporation of Canada — Non-GAAP Financial Measures.

POWER CORPORATION OF CANADA
CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 [in millions of dollars]	2006	2005
ASSETS		
Cash and cash equivalents	**5,785**	5,332
Investments [Note 4]		
Shares	**5,598**	4,867
Bonds	**65,246**	59,298
Mortgages and other loans	**15,823**	15,118
Loans to policyholders	**6,776**	6,646
Real estate	**2,218**	1,844
	95,661	87,773
Funds held by ceding insurers	**12,371**	2,556
Investment in affiliates, at equity [Note 6]	**2,182**	1,554
Intangible assets [Note 7]	**2,745**	2,423
Goodwill [Note 7]	**8,454**	8,260
Future income taxes [Note 8]	**406**	476
Other assets [Note 9]	**5,083**	4,625
	132,687	112,999
LIABILITIES		
Policy liabilities		
Actuarial liabilities [Note 10]	**89,363**	71,263
Other	**4,488**	4,023
Deposits and certificates	**778**	693
Funds held under reinsurance contracts	**1,822**	4,221
Debentures and other borrowings [Note 11]	**3,402**	3,427
Preferred shares of subsidiaries	**1,625**	1,656
Capital trust securities and debentures [Note 12]	**646**	648
Future income taxes [Note 8]	**909**	865
Other liabilities [Note 13]	**9,070**	8,704
	112,103	95,500
Non-controlling interests [Note 14]	**11,983**	10,240
SHAREHOLDERS' EQUITY		
Stated capital [Note 15]		
Non-participating shares	**795**	795
Participating shares	**442**	417
Contributed surplus	**59**	37
Retained earnings	**7,480**	6,478
Foreign currency translation adjustments	**(175)**	(468)
	8,601	7,259
	132,687	112,999

Approved by the Board of Directors

Director

Director

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31 [in millions of dollars, except per share amounts]	2006	2005
Revenues		
Premium income	18,724	16,058
Net investment income	6,151	5,574
Fees and media income	5,429	4,929
	30,304	26,561
Expenses		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	20,508	17,435
Commissions	2,184	1,956
Operating expenses	3,610	3,524
Financing charges [Note 18]	344	336
	26,646	23,251
	3,658	3,310
Share of earnings of affiliates [Note 6]	110	110
Other income [charges], net [Note 19]	338	(7)
Earnings before income taxes and non-controlling interests	4,106	3,413
Income taxes [Note 8]	940	902
Non-controlling interests [Note 14]	1,773	1,458
Net earnings	1,393	1,053
Earnings per participating share [Note 21]		
Basic	3.00	2.28
Diluted	2.97	2.25

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31 [in millions of dollars]	2006	2005
Retained earnings, beginning of year	6,478	5,761
Add		
Net earnings	1,393	1,053
Deduct		
Dividends		
Non-participating shares	42	32
Participating shares	343	292
Other, including share issue costs of $6 million in 2005	6	12
	391	336
Retained earnings, end of year	7,480	6,478

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31 [in millions of dollars]	2006	2005
OPERATING ACTIVITIES		
Net earnings	**1,393**	1,053
Non-cash charges [credits]		
Increase in policy liabilities	**1,560**	2,969
Decrease [increase] in funds withheld by ceding insurers	**386**	(219)
Increase in funds held under reinsurance contracts	**(141)**	(543)
Amortization and depreciation	**115**	112
Future income taxes	**49**	148
Non-controlling interests	**1,773**	1,458
Other	**(426)**	445
Change in non-cash working capital items	**(203)**	(839)
Cash from operating activities	**4,506**	4,584
FINANCING ACTIVITIES		
Dividends paid		
By subsidiaries to non-controlling interests	**(716)**	(603)
Non-participating shares	**(41)**	(29)
Participating shares	**(343)**	(292)
	(1,100)	(924)
Issue of subordinated voting shares	**25**	28
Issue of non-participating shares	**–**	250
Issue of common shares by subsidiaries	**38**	29
Issue of preferred shares by subsidiaries	**500**	550
Repurchase of preferred shares by subsidiaries	**(31)**	(10)
Repurchase of common shares by subsidiaries	**(67)**	(80)
Issue of debentures and other borrowings	**384**	–
Repayment of debentures and other borrowings	**(400)**	(186)
Other	**59**	(34)
	(592)	(377)
INVESTMENT ACTIVITIES		
Bond sales and maturities	**30,162**	24,742
Mortgage loan repayments	**2,147**	2,045
Sale of shares	**1,545**	1,672
Real estate sales	**181**	200
Proceeds from securitizations	**1,302**	251
Change in loans to policyholders	**(18)**	(272)
Change in repurchase agreements	**94**	224
Acquisition of intangible assets [Note 2]	**(140)**	–
Acquisition of businesses [Note 2]	**1,378**	22
Investment in bonds	**(33,636)**	(26,010)
Investment in mortgage loans	**(4,062)**	(2,639)
Investment in shares	**(1,976)**	(2,315)
Investment in real estate	**(631)**	(588)
Other	**(87)**	(63)
	(3,741)	(2,731)
Effect of changes in exchange rates on cash and cash equivalents	**280**	(286)
Increase in cash and cash equivalents	**453**	1,190
Cash and cash equivalents, beginning of year	**5,332**	4,142
Cash and cash equivalents, end of year	**5,785**	5,332

SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid	**781**	682
Interest paid	**385**	372

Note 1. Summary of significant accounting policies

The Consolidated Financial Statements of Power Corporation of Canada (the Corporation) have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Corporation and its subsidiaries.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in those statements and accompanying notes. In particular, the valuation of goodwill and intangible assets, actuarial liabilities, income taxes, deferred selling commissions, pension plans and other post-retirement benefits are key components of the financial statements requiring management to make estimates. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results may differ from such estimates.

The principal subsidiaries of the Corporation are: Power Financial Corporation (Power Financial) (interest of 66.4%), Gesca Ltée (interest of 100%) and Power Technology Investment Corporation (PTIC) (interest of 100%). Power Financial holds a controlling interest in Great-West Lifeco Inc. (Lifeco) (direct interest of 70.6%), which holds 100% of the common shares of Great-West Life & Annuity Insurance Company (GWL&A) and 100% of the common shares of The Great-West Life Assurance Company (Great-West). Great-West in turn holds 100% of the common shares of Canada Life Financial Corporation (CLFC), which itself holds 100% of The Canada Life Assurance Company (Canada Life), and 100% of the common shares of London Insurance Group Inc. (LIG), which in turn holds 100% of London Life Insurance Company (London Life). Power Financial also holds a controlling interest in IGM Financial Inc. (IGM) (direct interest of 55.9%), which holds 100% of the common shares of Investors Group Inc. (Investors Group) and of Mackenzie Financial Corporation (Mackenzie), and 76.2% of the common shares of Investment Planning Counsel. IGM holds 4.2% of the common shares of Lifeco, and Great-West holds 3.5% of the common shares of IGM.

The Corporation accounts for its investments in its affiliates using the equity method.

REVENUE RECOGNITION

With respect to revenues from Lifeco, premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue.

Lifeco's premium revenues, total paid or credited to policyholders and policy liabilities are all shown net of reinsurance amounts ceded to, or including amounts assumed from, other insurers.

With respect to revenues from Lifeco, fee income is recognized when the service is performed and primarily includes fees earned from the management of segregated fund assets, fees earned on the administration of administrative services only (ASO) Group health contracts, and fees earned from management services.

With respect to revenues from IGM, management fees are based on the net asset value of mutual fund assets under management and are recognized on an accrual basis when the service is performed. Administration fees are also recognized on an accrual basis when the service is performed. Distribution revenues derived from mutual funds, insurance, securities and banking transactions are recognized on a trade date basis.

Investment income is recognized on an accrual basis and is shown net of investment expenses.

Media revenues are recognized as follows: newspaper sales are recognized at the time of delivery, and advertising sales are recognized at the time the advertisement is published.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, current operating accounts, overnight bank and term deposits with original maturity of three months or less, and fixed-income securities with an original term to maturity of three months or less, as well as highly liquid investments with short-term maturities that are readily convertible to known amounts of cash.

INVESTMENTS

Investments, other than those held by Lifeco, are accounted for as follows:

- Investments in shares are carried at original cost plus declared dividends. Shares are written down to their fair value when an other than a temporary decline in value is identified. Gains and losses on disposal of investment in shares are recognized in Net investment income in the Consolidated Statement of Earnings.
- Investments in mortgages and other loans are carried at amortized cost plus accrued interest less an allowance for losses. An investment in mortgages and other loans is impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest.

Investments held by Lifeco are accounted for as follows:

- Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Deferred net realized gains and are deferred and amortized over the period to maturity of the security sold.
- Investments in shares (equity securities) are carried at cost plus a moving average market value adjustment of $402 million ($293 million in 2005). The carrying value is adjusted towards market value at a rate of 5% per quarter. Net realized gains and losses are included in Deferred net realized gains and are deferred and amortized to earnings at a rate of 5% per quarter on a declining-balance basis.

Note 1. Summary of significant accounting policies [continued]

- Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of $178 million ($144 million in 2005). The carrying value is adjusted towards market value at a rate of 3% per quarter. Net realized gains and losses are included in Deferred net realized gains and are deferred and amortized to earnings at a rate of 3% per quarter on a declining-balance basis.

Market values for publicly traded bonds are determined using quoted market prices. Market values for bonds that are not actively traded and for mortgages are determined by discounting expected future cash flows related to the securities at market interest rates. Market values for public shares are generally determined by the closing sale price of the security on the exchange where it is principally traded. Market values for shares for which there is no active market are determined by discounting expected future cash flows based on expected dividends and where future cash flows cannot be readily determined, market value is estimated to be equal at cost. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by independent qualified appraisers.

SECURITIZATIONS

IGM periodically transfers mortgages and personal loans to commercial paper conduits that in turn issue securities to investors. IGM retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. IGM also transfers NHA-insured mortgages through the issuance of mortgage-backed securities.

Transfers of loans are accounted for as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. The loans are removed from the Consolidated Balance Sheets and a gain or loss is recognized in income immediately based on the carrying value of the loans transferred. The carrying value is allocated between the assets transferred and the retained interests in proportion to their fair values at the date of transfer. To obtain the fair value of IGM's retained interests, quoted market prices are used if available. However, since quotes are generally not available for retained interests, the estimated fair value is based on the present value of future expected cash flows using management's best estimates of key assumptions such as prepayment rates, excess spread, expected credit losses and discount rates commensurate with the risks involved. Retained interests are reviewed quarterly for impairment. IGM continues to service the loans transferred. As a result, a servicing liability is recognized and amortized over the expected term of the transferred loans as servicing fees.

For all transfers of loans, the gains or losses and the servicing fee revenue are reported in Net investment income in the Consolidated Statements of Earnings. The retained interests in the securitized loans are recorded in Other assets and the servicing liability is recorded in Other liabilities on the Consolidated Balance Sheets.

DEFERRED SELLING COMMISSIONS

Commissions paid by IGM on the sale of certain mutual funds are deferred and amortized against related fee income over a maximum period of seven years. Commissions paid on the sale of deposits are deferred and amortized over the term of the deposit with a maximum amortization period of five years.

GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of purchase consideration over the fair value of net assets of acquired subsidiaries of the Corporation. Intangible assets represent finite life and indefinite life intangible assets of acquired subsidiaries of the Corporation. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, for a period not exceeding 30 years. The Corporation tests goodwill and indefinite life intangible assets for impairment on an annual basis by reviewing the fair value of the related businesses and the intangible assets. Goodwill and intangible assets are written down when impaired to the extent that the carrying value exceeds the estimated fair value.

ACTUARIAL LIABILITIES

Actuarial liabilities of Lifeco represent the amounts equal to the carrying value of the assets that, taking into account the other pertinent items on the balance sheet, will be sufficient to discharge Lifeco's obligations over the term of the liability for its insurance policies and to pay expenses related to the administration of those policies. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, actuarial liabilities have been determined in accordance with the Canadian Asset Liability Method (CALM). Actuarial liabilities are discussed in Note 10.

STOCK-BASED COMPENSATION PLANS

The Corporation and its subsidiaries use the fair value-based method of accounting for the valuation of compensation expense for options granted to employees. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in Contributed surplus. When the Corporation's stock options are exercised, the proceeds, together with the amount recorded in Contributed surplus, are added to Stated capital.

REPURCHASE AGREEMENTS

Lifeco enters into repurchase agreements with third-party broker-dealers in which Lifeco sells securities and agrees to repurchase substantially similar securities at a specified date and price. Such agreements are accounted for as investment financings.

Note 1. Summary of significant accounting policies [continued]

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Corporation and its subsidiaries in the management of interest rate, foreign exchange rate, and equity market exposures. The Corporation's policy is not to use derivative financial instruments for speculative purposes.

The Corporation documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Balance Sheets or to anticipated future transactions. The Corporation also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

The accounting policies for derivative financial instruments used for hedging purposes correspond to those used for the underlying hedged position. In the event a designated hedged item is sold, extinguished, matures or ceases to be effective prior to the termination of the related derivative instruments or it is no longer probable that the sale of the hedged item will occur at the date originally anticipated, any subsequent realized or unrealized gains or losses on such derivative instruments are recognized in earnings.

Non-qualifying derivatives and derivatives not designated as hedges continue to be utilized on a basis consistent with the risk management policy of the Corporation and are monitored by the Corporation for effectiveness as economic hedges even if specific hedge accounting requirements are not met.

Derivative financial instruments used by the Corporation and its subsidiaries are summarized in Note 23.

FOREIGN CURRENCY TRANSLATION

The Corporation follows the current rate method of foreign currency translation for its net investments in self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expenses are translated at an average of daily rates. The resulting unrealized exchange gains or losses are included in Foreign currency translation adjustments in the shareholders' equity of the Consolidated Balance Sheets. All other assets and liabilities denominated in foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Realized and unrealized exchange gains and losses are included in Net investment income.

PENSION PLANS AND OTHER POST-RETIREMENT BENEFITS

The Corporation and its subsidiaries maintain defined benefit pension plans as well as defined contribution pension plans for certain of its employees and advisers.

The plans provide pension based on length of service and final average earnings. The benefit obligation is actuarially determined and accrued using the projected benefit method prorated on service. Pension charge or credit consists of the aggregate of the actuarially computed cost of pension benefits provided in respect of the current year's service, imputed interest on the accrued benefit obligation less expected returns on plan assets, which are valued at market value. Past service costs, transitional assets and transitional obligations are amortized over the expected average remaining service life of the employee/adviser group. For the most part, actuarial gains or losses in excess of the greater of 10% of the beginning-of-year plan assets or accrued benefit obligation are amortized over the expected average remaining service life of the employees/adviser group. The cost of pension benefits is charged to earnings using the projected benefit method prorated on services.

The Corporation and its subsidiaries also have unfunded supplementary pension plans for certain executives. Pension expense related to current services is charged to earnings in the period during which the services are rendered.

In addition, the Corporation and its subsidiaries provide certain post-retirement health care and life insurance benefits to eligible retirees, advisers and their dependents. The current cost of post-retirement health and life benefits is charged to earnings using the projected benefit method prorated on services.

LOANS TO POLICYHOLDERS

Loans to policyholders are shown at their unpaid balance and are fully secured by the cash surrender values of the policies.

FUNDS HELD BY CEDING INSURERS/ FUNDS HELD UNDER REINSURANCE CONTRACTS

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. Lifeco records an amount receivable from the ceding insurer or payable to the reinsurer representing the premium due. Investment revenue on these funds withheld is credited by the ceding insurer.

INCOME TAXES

The Corporation follows the liability method in accounting for income taxes, whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are anticipated to be in effect when the temporary differences are expected to reverse.

EARNINGS PER SHARE

Basic earnings per share is determined by dividing Net earnings available to participating shareholders by the average number of participating shares outstanding for the year. Diluted earnings per share is determined using the same method as basic earnings per share, except that the average number of participating shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Corporation, as determined by the treasury stock method.

Note 1. Summary of significant accounting policies [continued]

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

FUTURE ACCOUNTING CHANGES

Effective January 1, 2007, the Corporation will be required to comply with the new provisions of the Canadian Institute of Chartered Accountants (CICA) Handbook on Accounting for Financial Instruments. The new sections on Financial Instruments, Hedges and Comprehensive Income, including revisions to the section on Life Insurance Enterprises and many other sections, replace all previous guidance on these items issued by the CICA.

Under the new guidance, all financial assets, including derivatives, must be classified as available for sale, held for trading, held to maturity, or loans and receivables. All financial liabilities, including derivatives, must be classified as held for trading or other. All financial instruments classified as available for sale or held for trading are required to be recognized at fair value on the Consolidated Balance Sheet while financial instruments classified as loans and receivables or other will continue to be measured at amortized cost using the effective interest rate method. The standards allow the Corporation to designate certain financial instruments, on initial recognition, as held for trading.

Changes in the fair value of financial instruments classified as held for trading will be reported in net income. Unrealized gains or losses on financial instruments classified as available for sale will be reported in Other comprehensive income until they are realized or permanently impaired.

The new guidance introduces the concept of Other comprehensive income, which will track unrealized gains and losses experienced on certain investments and derivative instruments, as well as the currency translation account movement. Other comprehensive income together with Net earnings provides the financial statement reader with Comprehensive income. Comprehensive income is the total of all realized and unrealized income expenses, gains and losses related to the Consolidated Balance Sheet, including currency translation gains and losses on foreign subsidiary operations.

The Corporation will measure certain investments, primarily investments actively traded in a public market and certain financial liabilities, at their fair value. Investments backing actuarial liabilities will be classified as held for trading using the fair value option. Changes in the fair value of these investments will flow through net earnings. This impact is expected to be largely offset by corresponding changes in the actuarial liabilities which will also flow through net earnings. Investments backing Lifeco's shareholder capital and surplus will be classified as available for sale. Unrealized gains and losses on these investments will flow through Other comprehensive income until they are realized. Certain investment portfolios will be classified as held for trading as reflection of their underlying nature. Changes in the fair value of these investments will flow through net earnings. No change to the Corporation's method of accounting for real estate or loans is anticipated.

Derivative instruments will be recognized at their market value in the Consolidated Balance Sheet (refer to Note 23 for details of derivative financial instruments at December 31, 2006). Derivatives embedded in financial instruments or other contracts that are not closely related to the host financial instrument or contract must be bifurcated and recognized independently. Changes in the fair value of derivatives will be recognized in net earnings, except for derivatives designated as effective hedges.

Three types of hedging relationships are permitted under the new guidance: fair value hedges, cash flow hedges, and hedges of net investments in self-sustaining foreign operations. Changes in fair value hedges and changes in the fair value of the hedged items are recognized in net earnings. The effective portion of cash flow hedges, and hedges of net investments in self-sustaining foreign operations, are offset through Other comprehensive income until the variability in cash flows being hedged is recognized in net earnings.

Life Insurance enterprises will no longer defer net realized gains on financial instruments (bonds, shares and mortgages), nor will they be allowed to carry investments in shares at cost plus a moving average market value adjustment for unrealized gains and losses. Deferred net realized gains on bonds, shares and mortgages, carried on the balance sheet at December 31, 2006, will be transferred to surplus on transition to the new rules. At December 31, 2006, deferred net realized gains totalled $2,821 million, or $2,628 million excluding real estate. Included in this total is $118 million of losses realized on bonds, shares and mortgages that supported shareholders' capital and surplus.

The new accounting guidance is expected to contribute to volatility within certain statement of earnings line items, particularly for investment income and actuarial provisions. However, based on the Corporation's review to this point, it does not expect that the new guidance will result in a material impact on net earnings, other than as a result of the inability to continue to amortize the balance of net deferred realized unamortized gains on assets supporting shareholders' capital and surplus that will exist at the time of transition to the new accounting rules. For the year ended December 31, 2006, the amortization of net realized and unrealized gains was $619 million in total. For investments backing actuarial liabilities, the loss of amortization in connection with these assets is expected to be largely offset by corresponding changes in the actuarial liabilities which will also flow through net earnings. Included in this amount is $92 million of amortization in connection with bonds, shares and mortgages associated with shareholders' capital and surplus that will not be offset by changes to actuarial liabilities.

Transitional adjustments arising due to remeasuring financial assets classified as available for sale and hedging instruments designated as cash flow hedges will be recognized in the opening balance of Accumulated other comprehensive income. Transitional adjustments arising due to remeasuring financial assets classified as held for trading will be recognized in the opening balance of retained earnings.

Note 2. Acquisitions

[a] On April 24, 2006, Crown Life Insurance Company (Crown Life) served notice, pursuant to the terms of the 1999 acquisition of the majority of the insurance operations of Crown Life by Canada Life, commencing a process under which Canada Life may be required to acquire the common shares of Crown Life. This transaction is expected to close in the second quarter of 2007 and is not expected to have a material impact on the financial position of the Corporation.

[b] During the second quarter of 2006, Canada Life, through its wholly owned United Kingdom subsidiary, Canada Life Limited, reached an agreement to acquire the non-participating payout annuity business of The Equitable Life Assurance Society in the United Kingdom. Under the terms of the agreement, Canada Life Limited assumed this business on an indemnity reinsurance basis with an effective date of January 1, 2006. The transfer closed on February 9, 2007. The transaction resulted in an increase in funds held by ceding insurers and a corresponding increase in policyholder liabilities of $10.2 billion (£4.5 billion) on the Consolidated Balance Sheet at December 31, 2006.

[c] On September 22, 2006, Mackenzie Financial Corporation acquired the assets of Cundill Investment Research Ltd. and related entities (Cundill Group) for cash consideration, including transaction and other related costs. There is contingent consideration due if certain future revenue and assets under management targets are achieved and an amount has been placed in escrow. The total contingent consideration is not determinable at the present time. If additional consideration becomes payable, it will be recognized as an additional cost of the purchase.

The acquisition has been accounted for by the purchase method and the results of the Cundill Group's operations have been included in the Consolidated Financial Statements from the date of acquisition.

The purchase price has been allocated to intangible assets on a preliminary basis and will be completed as soon as Mackenzie Financial Corporation has gathered all the significant information considered necessary in order to finalize this allocation.

[d] On October 2, 2006, GWL&A acquired several parts of the full service-bundled, small and mid-sized 401(k) as well as some defined benefit plan business from Metropolitan Life Insurance Company and its affiliates (MetLife). The acquisition includes the associated dedicated distribution group, including wholesalers, relationship managers and sales associates. Under the terms of the agreement, GWL&A assumed the general account business on a co-insurance basis and the segregated account business totalling $1.7 billion (US$1.5 billion) of policyholder liabilities on a modified co-insurance basis with an effective date of October 2, 2006. Arrangements are being made to transfer the policies to GWL&A and the transfer is expected to take place over a three-year period.

Under the modified co-insurance agreement, MetLife retains the approximately $2.6 billion (US$2.3 billion) of segregated account assets and liabilities but cedes to GWL&A all of the net profits and losses and related net cash flows. In addition, GWL&A acquired approximately $3.9 billion (US$3.4 billion) of participant account values for which it will provide administrative services and record-keeping functions and receive fee income.

[e] On October 26, 2006, Gesca Ltée acquired an additional interest of 30% in Workopolis for a cash consideration of $86 million, increasing its ownership to 50%. This acquisition, accounted for using the purchase method of accounting, has been reflected in the Consolidated Financial Statements since the date of acquisition. The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition.

	$
Fair value of assets acquired	
Current assets	2
Intangible assets	63
Goodwill	44
Other long-term assets	1
	110
Less fair value of liabilities assumed	
Current liabilities	(3)
Future income taxes	(21)
Total purchase consideration	86

[f] On November 30, 2006, Lifeco acquired all outstanding common shares of Indiana Healthcare Network, Inc.

[g] On December 29, 2006, GWL&A acquired the full service-bundled, defined contribution business from U.S. Bank. The acquired business primarily relates to the administration of 401(k) plans, which represent more than $10.5 billion (US$9.0 billion) in retirement plan assets. The acquisition includes the retention of relationship managers and sales and client service specialists.

[h] During 2005, Canada Life, through its wholly owned United Kingdom subsidiary, Canada Life Limited, acquired the assets and liabilities associated with the in-force annuity in payment business of Phoenix and London Assurance Limited, part of the Resolution Life Group which is based in the United Kingdom. The transaction resulted in an increase in invested assets and a corresponding increase in policyholder liabilities of $4.4 billion on the Consolidated Balance Sheet.

Note 3. Restructuring costs

The plan to restructure and integrate the operations of CLFC with Lifeco's wholly owned subsidiaries Great-West, London Life and GWL&A was completed at the end of 2005 at a total cost of $446 million. Restructuring costs related to the acquisition of CLFC incurred for the year ended December 31, 2005 were $101 million. Of this amount, $22 million before tax ($17 million after tax) was charged to earnings and $79 million was charged against the amount accrued as part of the purchase equation of CLFC. These restructuring costs were related to the elimination of duplicate systems, exiting and consolidating operations and compensation costs.

Note 4. Investments

a) Carrying values and estimated market values of investments are as follows:

	2006		2005	
	CARRYING VALUE	ESTIMATED MARKET VALUE	CARRYING VALUE	ESTIMATED MARKET VALUE
Shares	**5,598**	**6,580**	4,867	5,422
Bonds	**65,246**	**66,698**	59,298	61,918
Mortgages and other loans	**15,823**	**16,259**	15,118	15,790
Loans to policyholders	**6,776**	**6,776**	6,646	6,646
Real estate	**2,218**	**2,679**	1,844	2,129
	95,661	**98,992**	87,773	91,905

b) The significant terms and conditions and interest rate ranges of applicable fixed-term investments gross of provisions are as follows:

	CARRYING VALUE				
	TERM TO MATURITY				
	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	EFFECTIVE INTEREST RATE RANGES
2006					%
Bonds	**7,113**	**16,966**	**41,210**	**65,289**	**2.1 – 17.1**
Mortgages and other loans	**1,480**	**5,169**	**9,213**	**15,862**	**3.6 – 13.1**
	8,593	**22,135**	**50,423**	**81,151**	
2005					%
Bonds	5,270	16,942	37,174	59,386	1.0 – 16.8
Mortgages and other loans	639	5,511	9,007	15,157	3.0 – 13.5
	5,909	22,453	46,181	74,543	

c) Included in investments are the following:

[i] Non-performing loans

	2006	2005
Bonds	**79**	137
Mortgages and other loans	**28**	17
Foreclosed real estate	**–**	11
	107	165

Non-performing loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan-by-loan basis to determine non-performing status. Loans are classified as non-accrual when:

[1] payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or

[2] the Corporation no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or

[3] modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible, the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

Note 4. Investments [continued]

[ii] Changes in the allowance for credit losses are as follows:

The Corporation maintains an allowance for credit losses which is considered adequate by management to absorb all credit-related losses in its portfolio.

	2006	2005
Balance, beginning of year	**127**	208
Net provisions [recoveries] for credit losses — in year	**(31)**	7
Write-offs, net of recoveries	**(13)**	(85)
Other [including foreign exchange rate change]	**(1)**	(3)
Balance, end of year	**82**	127

For Lifeco, the allowance for credit losses is supplemented by the provision for future credit losses included in actuarial liabilities.

[iii] Also included in investments are modified/restructured loans of $12 million ($37 million in 2005) that are performing in accordance with their current terms.

d) Deferred net realized and unrealized gains

Net investment income includes amortization of deferred net realized and unrealized gains as follows:

	2006	2005
Bonds	**247**	253
Mortgage and other loans	**47**	53
Shares	**261**	232
Real estate	**64**	46
	619	584

The balance of deferred net realized gains (included in Other liabilities) is comprised of the following:

	2006	2005
Bonds	**1,966**	1,834
Mortgage and other loans	**171**	151
Shares	**491**	440
Real estate	**193**	173
	2,821	2,598

Note 5. Securitizations

During the year, IGM transferred $1,311 million ($252 million in 2005) of residential mortgages into commercial paper conduits and recorded $5 million ($4 million in 2005) in gains, net of transaction costs, in Net investment income.

IGM's retained interest in the securitized loans includes cash reserve accounts and rights to future excess spread. This retained interest is subordinated to the interests of the related commercial paper conduits (CP conduits) and mortgage-backed securities (MBS) holders (the purchasers). The purchasers do not have recourse to IGM's other assets for any failure of the borrowers to pay when due.

The key economic assumptions used to value the retained interests at the date of securitization issuances for commercial paper conduit transactions completed during 2006 and 2005 were as follows:

	2006	2005
Weighted-average		
Remaining service life [in years]	**3.9**	3.7
Interest rate	**5.17%**	4.98%
Coupon rate of securities issued	**4.66%**	4.00%
Prepayment rate	**15.00%**	15.00%
Discount rate	**4.99%**	4.55%
Servicing fees	**0.25%**	0.25%
Expected credit losses	**0.01%**	0.05%

At December 31, 2006, the fair value of the total retained interests was $43 million ($16 million in 2005). The sensitivity to immediate 10% or 20% adverse changes to key assumptions was considered to be immaterial.

Note 5. Securitizations [continued]

The total loans reported by IGM, the securitized loans serviced by IGM, as well as cash flows related to securitization arrangements are as follows:

	2006	2005
Mortages	**1,761**	826
Personal loans	**275**	246
	2,036	1,072
Less: securitized loans serviced	**1,547**	559
Total on-balance sheet loans	**489**	513
Proceeds from new securitizations	**1,302**	251
Cash flows received on retained interests	**7**	11

Note 6. Investment in affiliates, at equity

	2006	2005
Carrying value, beginning of year	**1,554**	1,698
Investment	**13**	11
Share of operating earnings	**110**	110
Share of non-operating earnings of Pargesa	**341**	11
Foreign currency translation adjustments	**214**	(231)
Dividends	**(48)**	(50)
Other, net	**(2)**	5
Carrying value, end of year	**2,182**	1,554
Share of equity, end of year	**2,135**	1,506

Composed principally of Power Financial's interest in Parjointco N.V., 50% held by Power Financial. At December 31, 2006, Parjointco N.V. held a voting interest of 62.9% (2005 — 61.4%) and an equity interest of 54.1% (2005 — 54.1%) in Pargesa Holding S.A.

Note 7. Goodwill and intangible assets

a) Goodwill

The carrying value of goodwill and changes in the carrying value of goodwill are as follows:

	2006	2005
Balance, beginning of year	**8,260**	8,242
Acquisition	**171**	1
Changes in foreign exchange rates	**2**	(1)
Other, including effect of repurchase of common shares by subsidiaries	**21**	18
Balance, end of year	**8,454**	8,260

The goodwill arising from acquisitions in Lifeco's United States segment (Note 2) may be adjusted as part of the finalization of the allocation of the purchase prices to the assets acquired and liabilities assumed.

Note 7. Goodwill and intangible assets [continued]

b) Intangible assets

The carrying value of intangible assets and changes in the carrying value of intangible assets are as follows:

2006	COST	ACCUMULATED AMORTIZATION	CHANGE IN FOREIGN EXCHANGE RATES	CARRYING VALUE, END OF YEAR
Indefinite life intangible assets				
Brands and trademarks	410	–	–	410
Customer contract-related	354	–	–	354
Shareholder portion of acquired future participating accounts profits	354	–	–	354
Trade names	309	–	–	309
Mutual fund management contracts	609	–	–	609
	2,036	–	–	2,036
Finite life intangible assets[i]				
Customer contract-related	388	(49)	1	340
Distribution channels	130	(12)	(1)	117
Distribution contracts	27	(4)	–	23
Other	96	(7)	–	89
	641	(72)	–	569
	2,677	(72)	–	2,605
Assets acquired net of accumulated amortization[ii]				140
Total				2,745

2005	COST	ACCUMULATED AMORTIZATION	CHANGE IN FOREIGN EXCHANGE RATES	CARRYING VALUE, END OF YEAR
Indefinite life intangible assets				
Brands and trademarks	410	–	(16)	394
Customer contract-related	354	–	–	354
Shareholder portion of acquired future participating accounts profits	354	–	–	354
Trade names	268	–	–	268
Mutual fund management contracts	609	–	–	609
	1,995	–	(16)	1,979
Finite life intangible assets				
Customer contract-related	285	(35)	(2)	248
Distribution channels	127	(8)	(12)	107
Distribution contracts	25	(2)	–	23
Other	72	(6)	–	66
	509	(51)	(14)	444
Total	2,504	(51)	(30)	2,423

[i] During 2006, in connection with the acquisitions in Lifeco's United States segment (Note 2), Lifeco acquired approximately $100 million of customer contract-related finite life intangible assets and $4 million in distribution-related finite life intangible assets. The value assigned to these intangible assets may be adjusted as part of the finalization of the allocation of the purchase prices to the assets acquired and liabilities assumed.

[ii] During the fourth quarter of 2006, Mackenzie Financial Corporation, a subsidiary of IGM, performed a preliminary evaluation of the fair value of the assets acquired in relation to the purchase of the assets of Cundill Investment Research Ltd. and related entities. The purchase price has been allocated to indefinite life and finite life intangible assets on a preliminary basis and will be completed as soon as Mackenzie Financial Corporation has gathered all the significant information considered necessary in order to finalize this allocation (refer to Note 2 [c]).

Note 8. Income taxes

The Corporation's effective income tax rate is derived as follows:

	2006	2005
	%	%
Combined basic Canadian federal and provincial tax rates	**34.8**	35.5
Increase [decrease] in the income tax rate resulting from:		
Non-taxable investment income	**(3.2)**	(4.2)
Lower effective tax rates on income not subject to tax in Canada	**(3.2)**	(3.6)
Earnings of affiliated companies	**(3.8)**	(0.8)
Miscellaneous	**(1.7)**	(0.5)
Effective income tax rate	**22.9**	26.4
Components of income tax expense are:		
Current income taxes	**891**	753
Future income taxes	**49**	149
	940	902

Future income taxes consist of the following taxable temporary differences on:

	2006	2005
Policy liabilities	**176**	319
Loss carry forwards	**377**	405
Investments	**(339)**	(401)
Deferred selling commissions	**(334)**	(334)
Intangible assets	**(466)**	(486)
Other	**83**	108
Future income taxes	**(503)**	(389)
Classified in the consolidated balance sheet as:		
Future income tax assets	**406**	476
Future income tax liabilities	**(909)**	(865)
	(503)	(389)

As at December 31, 2006, the Corporation and its subsidiaries have non-capital losses of $366 million ($281 million in 2005) available to reduce future taxable income for which the benefits have not been recognized. If not utilized, these losses will expire at various dates to 2026. In addition, the Corporation and its subsidiaries have capital loss carry forwards that can be used indefinitely to offset future capital gains of approximately $66 million ($67 million in 2005).

Note 9. Other assets

	2006	2005
Dividends, interest and other receivables	**2,061**	1,828
Premiums in course of collection	**566**	623
Deferred selling commissions	**974**	928
Fixed assets, net of accumulated amortization	**514**	483
Accrued benefit asset [Note 20]	**281**	259
Other	**687**	504
	5,083	4,625

Note 10. Actuarial liabilities

a) Composition of actuarial liabilities and related supporting assets

[i] The composition of actuarial liabilities is as follows:

	PARTICIPATING		NON-PARTICIPATING		TOTAL	
	2006	2005	2006	2005	2006	2005
Canada	**17,573**	16,622	**17,248**	15,946	**34,821**	32,568
United States	**8,107**	7,822	**14,492**	12,839	**22,599**	20,661
Europe	**1,853**	1,677	**30,090**	16,357	**31,943**	18,034
Total	**27,533**	26,121	**61,830**	45,142	**89,363**	71,263

[ii] The composition of the assets supporting liabilities and surplus is as follows:

2006	BONDS	MORTGAGE LOANS	SHARES	REAL ESTATE	OTHER	TOTAL
Carrying value						
Participating	**12,928**	**5,019**	**2,313**	**112**	**7,161**	**27,533**
Non-participating	**38,162**	**7,607**	**917**	**1,171**	**13,973**	**61,830**
Other	**9,599**	**2,555**	**747**	**287**	**6,798**	**19,986**
Capital and surplus	**4,557**	**153**	**789**	**646**	**4,969**	**11,114**
Total carrying value	**65,246**	**15,334**	**4,766**	**2,216**	**32,901**	**120,463**
Fair value	**66,698**	**15,770**	**5,566**	**2,677**	**32,901**	**123,612**

2005	BONDS	MORTGAGE LOANS	SHARES	REAL ESTATE	OTHER	TOTAL
Carrying value						
Participating	12,164	4,707	1,845	110	7,295	26,121
Non-participating	32,406	6,829	767	677	4,463	45,142
Other	11,992	2,987	693	452	5,285	21,409
Capital and surplus	2,736	82	723	603	5,345	9,489
Total carrying value	59,298	14,605	4,028	1,842	22,388	102,161
Fair value	61,918	15,277	4,639	2,127	22,388	106,349

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair values of these assets are essentially offset by changes in the fair value of actuarial liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

b) Changes in actuarial liabilities

The change in actuarial liabilities during the year was the result of the following business activities and changes in actuarial estimates:

	2006	2005
Balance, beginning of year	**71,263**	65,822
Impact of new business	**2,936**	3,190
Normal change in force	**(1,283)**	(156)
Impact of assumption changes	**(38)**	69
Business movement from/to affiliates	**–**	(38)
Business movement from/to external parties	**13,580**	4,803
Impact of foreign exchange rate changes	**2,905**	(2,427)
Balance, end of year	**89,363**	71,263

Note 10. Actuarial liabilities [continued]

In 2006, the acquisition of a large block of annuity business in the United Kingdom, and the acquisition of two blocks of largely 401(k) business in the United States were the major contributors to the growth in actuarial liabilities.

Non-participating actuarial liabilities decreased by $117 million in 2006 due to assumption changes. This decrease was primarily due to improvements in mortality ($72 million decrease), improvements in morbidity ($63 million decrease), and improvement in expenses ($62 million decrease) partially offset by strengthened provisions for asset liability matching (increase of $88 million) and an increase required in the adverse development reserve provisions in London Reinsurance Group Inc. (LRG) (increase of $21 million).

Participating actuarial liabilities increased by $79 million in 2006 due to assumption changes. This increase was primarily due to an increase in the provision for future policyholder dividends ($184 million) partially offset by improved investment assumptions ($60 million decrease), improved life mortality ($18 million decrease) and improved expenses ($18 million decrease).

In 2005, the acquisition of a large block of annuity business in the United Kingdom was the major contributor to the growth in actuarial liabilities.

Non-participating actuarial liabilities increased by $19 million in 2005 due to assumption changes. This increase was primarily due to strengthened mortality assumptions ($151 million increase) and increased litigation reserves ($33 million), partially offset by improvements in asset liability matching ($103 million decrease) and improvements in modelling ($67 million decrease).

Participating actuarial liabilities increased by $50 million in 2005 due to assumption changes. This increase was primarily due to lower investment returns ($135 million increase) and a reclassification between provisions for dividends and actuarial liabilities for Canada Life ($62 million increase) partially offset by improved mortality ($61 million decrease) and reduced expenses ($61 million decrease).

c) Actuarial assumptions

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that actuarial liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The methods for arriving at these valuation assumptions are outlined below:

MORTALITY > A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update Lifeco's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Although mortality improvements have been observed for many years, for life insurance valuation the mortality provisions (including margin) do not allow for future improvements. A 1% increase in the best estimate assumption would increase non-participating actuarial liabilities by approximately $74 million.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants. A 1% decrease in the best estimates assumption would increase non-participating actuarial liabilities by approximately $89 million.

MORBIDITY > Lifeco uses industry-developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation. For products for which morbidity is a significant assumption, a 1% adverse change in the best estimate assumptions would increase non-participating actuarial liabilities by approximately $44 million.

PROPERTY AND CASUALTY REINSURANCE > Actuarial liabilities for property and casualty reinsurance written by LRG, a subsidiary of London Life, are determined using accepted actuarial practices for life insurers in Canada. Reflecting the long-term nature of the business, reserves have been established using cash flow valuation techniques including discounting. The reserves are based on cession statements provided by ceding companies. In certain instances, LRG management adjusts cession statement amounts to reflect management's interpretation of the treaty. Differences will be resolved via audits and other loss mitigation activities. In addition, reserves also include an amount for incurred but not reported losses (IBNR) which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated and adjustments to estimates are reflected in income. LRG analyses the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.

INVESTMENT RETURNS > The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in Canadian Asset Liability Method (CALM) to determine actuarial liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk.

Note 10. Actuarial liabilities [continued]

One way of measuring the interest rate risk associated with this assumption is to determine the effect on the present value of the projected net asset and liability cash flows of the non-participating business of Lifeco of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. These interest rate changes will impact the projected cash flows. The effect of an immediate 1% increase in interest rates would be to increase the present value of these projected cash flows by approximately $74 million and the effect of an immediate 1% decrease in interest rates would be to decrease the present value of these net projected cash flows by approximately $295 million. The level of actuarial liabilities established under CALM provides for interest rate movements significantly greater than the 1% shifts shown above.

A 10% increase in equity markets would be expected to decrease non-participating actuarial liabilities by approximately $5 million, primarily as a result of equities backing long-tail liabilities. A 10% decrease in equity markets would be expected to increase non-participating actuarial liabilities by approximately $5 million, primarily as a result of equities backing long-tail liabilities.

EXPENSES > Unit expense studies are updated regularly to determine an appropriate estimate of future expenses for the liability type being valued. Expense improvements are not projected. An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under CALM. For Lifeco as a whole, a 10% increase in the best estimate maintenance unit expense assumption would increase the non-participating actuarial liabilities by approximately $135 million.

POLICY TERMINATION > Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where Lifeco has no experience with specific types of policies or its exposure is limited. A 10% adverse change in the best estimate policy termination assumption would increase non-participating actuarial liabilities by approximately $281 million.

POLICYHOLDER DIVIDENDS > Future policyholder dividends are included in the determination of actuarial liabilities for participating policies, with the assumption that policyholder dividends will change in the future to reflect the experience of the respective participating accounts, consistent with the participating policyholder dividend policies. It is Lifeco's expectation that associated with changes in the best estimate assumptions for participating business would be corresponding changes in policyholder dividend scales, resulting in an immaterial net change in actuarial liabilities for participating business.

d) Risk management

[i] Interest rate risk

Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes.

[ii] Credit risk

Credit risk is managed through an emphasis on quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards.

Projected investment returns are reduced to provide for future credit losses on assets. The net effective yield rate reduction averaged 0.15% (0.18% in 2005). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

The following outlines the future asset credit losses provided for in actuarial liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2006	2005
Participating policyholders	**441**	570
Non-participating policyholders	**859**	608
	1,300	1,178

[iii] Reinsurance risk

Maximum benefit amount limits per insured life (which vary by line of business) are established for life and health insurance, and reinsurance is purchased for amounts in excess of those limits.

Reinsurance contracts do not relieve Lifeco from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to Lifeco. Lifeco evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by the following amounts:

	2006	2005
Participating policyholders	**69**	109
Non-participating policyholders	**4,114**	6,537
	4,183	6,646

Note 10. Actuarial liabilities [continued]

Certain of the reinsurance contracts are on a funds withheld basis where Lifeco retains the assets supporting the reinsured actuarial liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

[iv] Foreign exchange risk

If the assets backing actuarial liabilities are not matched by currency, changes in foreign exchange rates can expose Lifeco to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow Lifeco to modify an asset position to more closely match actual or committed liability currency.

[v] Liquidity risk

Liquidity risk is the risk that Lifeco will have difficulty raising funds to meet commitments. The liquidity needs of Lifeco are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 60% of policy liabilities are non-cashable prior to maturity or subject to market value adjustments.

Note 11. Debentures and other borrowings

	2006	2005
Power Financial Corporation		
7.65% debentures, repaid January 5, 2006	–	150
6.90% debentures, due March 11, 2033	**250**	250
IGM Financial Inc.		
6.75% debentures 2001 Series, due May 9, 2011	**450**	450
6.58% debentures 2003 Series, due March 7, 2018	**150**	150
6.65% debentures 1997 Series, due December 13, 2027	**125**	125
7.45% debentures 2001 Series, due May 9, 2031	**150**	150
7.00% debentures 2002 Series, due December 31, 2032	**175**	175
7.11% debentures 2003 Series, due March 7, 2033	**150**	150
Great-West Lifeco Inc.		
Subordinated debentures due September 19, 2011, bearing a fixed rate of 8% until 2006 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1%, unsecured, repaid September 19, 2006	–	256
Subordinated debentures due December 11, 2013, bearing a fixed rate of 5.80% until 2008 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1%, unsecured	**204**	206
6.75% debentures due August 10, 2015, unsecured	**200**	200
6.14% debentures due March 21, 2018, unsecured	**200**	200
6.40% subordinated debentures due December 11, 2028	**101**	101
6.74% debentures due November 24, 2031, unsecured	**200**	200
6.67% debentures due March 21, 2033, unsecured	**400**	400
6.625% deferrable debentures due November 15, 2034, unsecured [US$175 million]	**205**	205
7.153% subordinated debentures due May 16, 2046, unsecured [US$300 million]	**351**	–
Notes payable with interest of 8.0%	**8**	9
Other		
Term loan at prime plus a premium varying between 1.0% and 1.5% or Banker's Acceptance rate plus a premium varying between 2.0% and 2.5%, due May 13, 2013 [effective rate of 8.22% at December 31, 2006, 8.6% at December 31, 2005]	**50**	50
Bank loan at prime plus a premium varying between 0.375% to 2.5%, due May 13, 2010 [effective rate 6.08% at December 31, 2006]	**33**	–
	3,402	3,427

During the second quarter of 2006, Lifeco issued $351 million (US$300 million) in Fixed/Adjustable Rate Enhanced Capital Advantaged Subordinated Debentures through its wholly owned subsidiary, Great-West Life & Annuity Capital, LP II. The subordinated debentures are due May 16, 2046 and bear an annual interest rate of 7.153% until May 16, 2016. After May 16, 2016, the subordinated debentures will bear an interest rate of 2.538% plus the 3-month LIBOR rate. The subordinated debentures are redeemable at the principal amount plus any accrued and unpaid interest after May 16, 2016.

Note 11. Debentures and other borrowings [continued]

The principal payments on debentures and other borrowings in each of the next five years is as follows:

	2007	2008	2009	2010	2011	2012 AND THEREAFTER
Principal payments on debentures and other borrowings	1	1	1	34	451	2,914

Note 12. Capital trust securities and debentures

	2006	2005
Capital trust debentures		
5.995% senior debentures due December 31, 2052, unsecured [GWLCT]	**350**	350
6.679% senior debentures due June 30, 2052, unsecured [CLCT]	**300**	300
7.529% senior debentures due June 30, 2052, unsecured [CLCT]	**150**	150
	800	800
Acquisition-related fair market value adjustment	**31**	34
Trust securities held by the consolidated group as temporary investments	**(185)**	(186)
	646	648

Great-West Life Capital Trust (GWLCT), a trust established by Great-West, had issued $350 million of capital trust securities, the proceeds of which were used by GWLCT to purchase Great-West senior debentures in the amount of $350 million, and Canada Life Capital Trust (CLCT), a trust established by Canada Life, had issued $450 million of capital trust securities, the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of $450 million. Distributions and interest on the capital trust securities are classified as Financing charges on the Consolidated Statements of Earnings (see Note 18).

Note 13. Other liabilities

	2006	2005
Accounts payable, accrued liabilities and other	**3,807**	3,641
Deferred net realized gains [Note 4]	**2,821**	2,598
Income taxes payable	**493**	516
Repurchase agreements	**997**	1,023
Accrued benefit liability [Note 20]	**701**	673
Commercial paper and other loans	**111**	126
Dividends and interest payable	**140**	127
	9,070	8,704

Note 14. Non-controlling interests

	2006	2005
Non-controlling interests include		
Participating policyholders	**1,884**	1,741
Preferred shareholders of subsidiaries	**2,653**	2,156
Common shareholders of subsidiaries	**7,446**	6,343
	11,983	10,240
Earnings attributable to non-controlling interests include		
Earnings attributable to participating policyholders	**143**	94
Dividends to preferred shareholders of subsidiaries	**141**	107
Earnings attributable to common shareholders of subsidiaries	**1,489**	1,257
	1,773	1,458

Note 15. Stated capital

	2006	2005
Non-participating shares		
Cumulative Redeemable First Preferred Shares, 1986 Series[i]		
Authorized — Unlimited number of shares		
Issued — 899,878 shares	**45**	45
Series A First Preferred Shares[ii]		
Authorized and issued — 6,000,000 shares	**150**	150
Series B First Preferred Shares[iii]		
Authorized and issued — 8,000,000 shares	**200**	200
Series C First Preferred Shares[iv]		
Authorized and issued — 6,000,000 shares	**150**	150
Series D First Preferred Shares[v]		
Authorized and issued — 10,000,000 shares	**250**	250
	795	795
Participating shares		
Participating Preferred Shares[vi]		
Authorized — Unlimited number of shares		
Issued — 48,854,772 shares	**27**	27
Subordinate Voting Shares[vii] [viii]		
Authorized — Unlimited number of shares		
Issued — 402,606,144 shares [2005 — 400,264,694 shares]	**415**	390
	442	417

[i] Entitled to a quarterly cumulative dividend of one quarter of 70% of the prime rate of two major Canadian chartered banks. The shares are redeemable by the Corporation at $50 per share. The Corporation will make all reasonable efforts to purchase, on the open market, 20,000 shares per quarter, such number being cumulative only in the same calendar year.

[ii] The 5.60% Non-Cumulative First Preferred Shares, Series A are entitled to fixed non-cumulative preferential cash dividends at a rate equal to $1.40 per share per annum. On and after June 11, 2004, the Corporation may redeem for cash the Series A First Preferred Shares in whole or in part, at the Corporation's option, at $26.00 per share if redeemed on or prior to June 11, 2005, $25.75 if redeemed thereafter and on or prior to June 11, 2006, $25.50 if redeemed thereafter and on or prior to June 11, 2007, $25.25 if redeemed thereafter and on or prior to June 11, 2008 and $25.00 if redeemed thereafter, in each case together with all declared and unpaid dividends to, but excluding, the date of redemption.

[iii] The 5.35% Non-Cumulative First Preferred Shares, Series B are entitled to fixed non-cumulative preferential cash dividends at a rate equal to $1.3375 per share per annum. On and after November 28, 2006, the Corporation may redeem for cash the Series B First Preferred Shares in whole or in part, at the Corporation's option, at $26.00 per share if redeemed prior to November 28, 2007, $25.75 if redeemed thereafter and prior to November 28, 2008, $25.50 if redeemed thereafter and prior to November 28, 2009, $25.25 if redeemed thereafter and prior to November 28, 2010 and $25.00 if redeemed thereafter, in each case together with all declared and unpaid dividends to, but excluding, the date of redemption.

[iv] The 5.80% Non-Cumulative First Preferred Shares, Series C are entitled to fixed non-cumulative preferential cash dividends at a rate equal to $1.45 per share per annum. On and after December 6, 2007, the Corporation may redeem for cash the Series C First Preferred Shares in whole or in part, at the Corporation's option, at $26.00 per share if redeemed prior to December 6, 2008, $25.75 if redeemed thereafter and prior to December 6, 2009, $25.50 if redeemed thereafter and prior to December 6, 2010, $25.25 if redeemed thereafter and prior to December 6, 2011 and $25.00 if redeemed thereafter, in each case together with all declared and unpaid dividends to, but excluding, the date of redemption.

[v] In 2005, the Corporation issued 10,000,000 5.00% Non-Cumulative First Preferred Shares, Series D for cash proceeds of $250 million. The 5.00% Non-Cumulative First Preferred Shares, Series D are entitled to fixed non-cumulative preferential cash dividends at a rate equal to $1.25 per share per annum. On and after October 31, 2010, the Corporation may redeem for cash the Series D First Preferred Shares in whole or in part, at the Corporation's option, at $26.00 per share if redeemed prior to October 31, 2011, $25.75 if redeemed thereafter and prior to October 31, 2012, $25.50 if redeemed thereafter and prior to October 31, 2013, $25.25 if redeemed thereafter and prior to October 31, 2014 and $25.00 if redeemed thereafter, in each case together with all declared and unpaid dividends to, but excluding, the date of redemption.

Note 15. Stated capital [continued]

[vi] Entitled to ten votes per share; entitled to a non-cumulative dividend of 0.9375¢ per share per annum before dividends on the subordinate voting shares and having the right to participate, share and share alike, with the holders of the subordinate voting shares in any dividends in any year after payment of a dividend of 0.9375¢ per share on the subordinate voting shares.

[vii] Entitled to one vote per share.

[viii] During the year, 2,341,450 subordinate voting shares (4,173,630 in 2005) were issued under the Corporation's Executive Stock Option Plan for a consideration of $25 million ($28 million in 2005).

Note 16. Stock-based compensation

[i] On October 1, 2000, the Corporation established a deferred share unit plan for the Directors of the Corporation to promote a greater alignment of interest between Directors and shareholders of the Corporation. Under this plan, each Director may elect to receive his or her annual retainer and attendance fees entirely in the form of deferred share units, entirely in cash, or equally in cash and deferred share units. The number of deferred share units granted is determined by dividing the amount of remuneration payable by the five-day-average closing price on the Toronto Stock Exchange of the Subordinate Voting Shares of the Corporation on the last five days of the fiscal quarter (the value of a deferred share unit). A Director who has elected to receive deferred share units will receive additional deferred share units in respect of dividends payable on Subordinate Voting Shares, based on the value of a deferred share unit at that time. A deferred share unit shall be redeemable, at the time a Director's membership on the Board is terminated or in the event of the death of a Director, by a lump sum cash payment, based on the value of a deferred share unit at that time. At December 31, 2006, the value of deferred share units outstanding was $4.8 million ($3.2 million in 2005). In addition, Directors may also participate in the Directors Share Purchase Plan.

[ii] Effective May 1, 2000, an Employee Share Purchase Program (ESPP) was implemented giving employees the opportunity to subscribe for up to 6% of their gross salary to purchase Subordinate Voting Shares of the Corporation on the open market and to have the Corporation invest, on the employee's behalf, up to an equal amount. The amount paid on behalf of employees was $0.3 million in 2006 ($0.3 million in 2005).

[iii] Compensation expense is recorded for options granted under the Corporation's and its subsidiaries' stock option plans, based on the fair value of the options at the grant date, amortized over the vesting period.

During the year ended December 31, 2006, 1,342,075 options (1,300,900 options in 2005) were granted under the Corporation's stock option plan. The fair value of these options was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2006	2005
Dividend yield	**2.3%**	1.9%
Expected volatility	**19.0%**	24.0%
Risk-free interest rate	**4.3%**	4.1%
Expected life [years]	**7**	7
Fair value per stock option [$/option]	**$7.29**	$8.64

For the year ended December 31, 2006, compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to $33 million ($26 million in 2005).

[iv] Under the Corporation's Executive Stock Option Plan established on March 8, 1985, 16,325,860 additional shares are reserved for issuance. The plan requires that the exercise price under the option must not be less than the market value of a share on the date of the grant of the option.

Options have a term of ten years and may be exercised as follows: 50% one year after the grant date, 75% two years after the grant date and 100% three years after the grant date, except for a grant of 50,000 options in 1999 which became fully vested in 2004; a grant of 200,000 options in 2000, which became fully vested at the date of the grant; a grant of 1,162,100 options in 2004 which vest as follows: 50% in 2007 and 50% in 2008; a grant of 1,300,900 options in 2005 which vest as follows: 50% in 2008 and 50% in 2009; and a grant of 1,342,075 options in 2006 which vest as follows: 50% in 2009 and 50% in 2010.

Note 16. Stock-based compensation [continued]

A summary of the status of the Corporation's stock option plan as at December 31, 2006 and 2005, and changes during the years ended on those dates is as follows:

	2006		2005	
	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
		$		$
Outstanding at beginning of year	**13,194,210**	**16.99**	16,066,940	13.16
Granted	**1,342,075**	**33.14**	1,300,900	31.93
Exercised	**(2,341,450)**	**10.68**	(4,173,630)	6.89
Outstanding at end of year	**12,194,835**	**19.98**	13,194,210	16.99
Options exercisable at end of year	**8,389,760**	**15.14**	10,731,210	14.17

The following table summarizes information about stock options outstanding at December 31, 2006:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	OPTIONS	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
		[YRS]	$		$
11.36	**2,162,415**	**3.3**	**11.36**	**2,162,415**	**11.36**
12.43 — 13.72	**1,875,968**	**1.4**	**13.66**	**1,875,968**	**13.66**
17.36 — 17.66	**4,351,377**	**4.3**	**17.66**	**4,351,377**	**17.66**
26.38 — 33.29	**3,805,075**	**8.3**	**30.66**	**–**	**–**
	12,194,835	**4.9**	**19.98**	**8,389,760**	**15.14**

Note 17. Reinsurance transaction

During the third quarter of 2006, GWL&A recaptured a reinsurance agreement on certain blocks of group annuity business. The recaptured premiums of $562 million associated with the transaction have been recorded in the Consolidated Statement of Earnings as an increase in premium income with a corresponding increase to the change in actuarial liabilities. For the Consolidated Balance Sheet, this transaction resulted in a reduction of $582 million to funds held under reinsurance contracts with a corresponding increase in policyholder liabilities.

During 2006, Great-West Life and London Life recaptured 50% of a reinsurance agreement on certain blocks of group life and long-term disability business. The recaptured premiums of $1,560 million associated with the transaction have been recorded in the Consolidated Statement of Earnings as an increase to premium income with a corresponding increase to the change in actuarial liabilities and provision for claims. For the Consolidated Balance Sheet, this transaction resulted in a reduction of $1,671 million to funds held under reinsurance contracts with a corresponding increase in policyholder liabilities.

Note 18. Financing charges

Financing charges include interest on debentures and other borrowings, distributions and interest on capital trust securities and debentures, and dividends on preferred shares classified as liabilities.

	2006	2005
Interest on debentures and other borrowings	**224**	223
Preferred share dividends	**73**	75
Interest on capital trust debentures	**49**	49
Distributions on capital trust securities held by the consolidated group as temporary investments	**(12)**	(12)
Other	**10**	1
	344	336

Note 19. Other income [charges], net

	2006	2005
Share of Pargesa's non-operating earnings [Note 6]	341	11
Other	(3)	4
Restructuring costs [Note 3]	–	(22)
	338	(7)

The share of Pargesa's non-operating earnings includes an amount of $356 million, which represents Power Financial Corporation's share of the gain resulting from the disposal by Groupe Bruxelles Lambert of its 25.1% equity interest in Bertelsmann AG.

Note 20. Pension plans and other post-retirement benefits

The Corporation and its subsidiaries maintain funded defined benefit pension plans for certain of its employees and advisers as well as unfunded supplementary employee retirement plans (SERP) for certain executives. The Corporation and its subsidiaries also provide post-retirement health and life insurance benefits to eligible retirees, advisers and their dependents.

a) Changes in fair value of plan assets and in the accrued benefit obligation:

	2006		2005	
	PENSION PLANS	OTHER POST-RETIREMENT BENEFITS	PENSION PLANS	OTHER POST-RETIREMENT BENEFITS
Fair value of plan assets				
Balance, beginning of year	3,703		3,408	
Employee contributions	19		18	
Employer contributions	105		53	
Benefits paid	(176)		(161)	
Actual return on plan assets	428		444	
Settlement	(18)		(18)	
Other, including foreign exchange	41		(41)	
Balance, end of year	4,102		3,703	
Accrued benefit obligation				
Balance, beginning of year	3,908	487	3,503	559
Benefits paid	(176)	(19)	(161)	(18)
Current service cost	99	9	88	18
Employee contributions	19	–	18	–
Interest cost	206	25	208	34
Actuarial [gains] losses	48	(8)	321	78
Settlement and curtailment	(16)	–	(14)	(81)
Past service cost	(159)	–	6	(103)
Other, including foreign exchange	60	–	(61)	–
Balance, end of year	3,989	494	3,908	487
Funded status				
Fund surplus [deficit][i]	113	(494)	(205)	(487)
Unamortized past service costs	(135)	(108)	29	(120)
Valuation allowance	(55)	–	(57)	–
Unamortized net actuarial losses	174	85	328	98
Accrued benefit asset [liability][ii]	97	(517)	95	(509)

[i] The aggregate accrued benefit obligations and aggregate fair value of plan assets of individual pension plans that had accrued benefit obligations in excess of the fair value of their related plan assets at December 31, 2006, amounted to $951 million ($2,640 million in 2005) and $762 million ($2,335 million in 2005), respectively. In addition, the Corporation and its subsidiaries maintain unfunded supplementary executive retirement plans. The obligation for these plans, which is included above, was $316 million at December 31, 2006 ($301 million in 2005).

Note 20. Pension plans and other post-retirement benefits [continued]

[ii] The net accrued benefit asset (liability) shown above is presented in these financial statements as follows:

	2006			2005		
	PENSION PLANS	OTHER POST-RETIREMENT BENEFITS	TOTAL	PENSION PLANS	OTHER POST-RETIREMENT BENEFITS	TOTAL
Accrued benefit asset [Note 9]	**281**	**–**	**281**	259		259
Accrued benefit liability [Note 13]	**(184)**	**(517)**	**(701)**	(164)	(509)	(673)
Accrued benefit asset [liability]	**97**	**(517)**	**(420)**	95	(509)	(414)

b) Cost recognized

	2006		2005	
	PENSION PLANS	OTHER POST-RETIREMENT BENEFITS	PENSION PLANS	OTHER POST-RETIREMENT BENEFITS
Amount arising from events in the period				
Current service cost	**99**	**9**	88	18
Interest cost	**206**	**25**	208	34
Actual return on plan assets	**(428)**	**–**	(444)	
Past service cost	**(159)**	**–**	6	(103)
Settlement and curtailment	**6**	**–**	5	(6)
Actuarial [gains] losses on accrued benefit obligation	**48**	**(8)**	321	78
	(228)	**26**	184	21
Adjustments to reflect cost recognized				
Difference between actual and expected return on assets	**191**	**–**	211	–
Difference between actuarial gains [losses] arising during the period and actuarial gains [losses] amortized	**(36)**	**13**	(314)	(74)
Difference between past service costs arising in period and past service costs amortized	**164**	**(12)**	1	100
Amortization of transitional obligation	**2**	**–**	1	–
Other	**9**	**–**	–	–
Net cost recognized for the period	**102**	**27**	83	47

For Lifeco, certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. Effective 2006, the determination of the accrued benefit obligation reflects only pension benefits guaranteed under the terms of the plans resulting in the recognition of a negative past service cost.

In 2005, the terms of the post-retirement health, dental and life insurance plans at Lifeco were amended. The amendment reduced the level of post-retirement benefits to be provided to certain active employees and revised the eligibility requirements for receiving benefits for certain other active employees. This resulted in the establishment of a negative past service cost that is being amortized over the average remaining service lives of these certain active employees. In 2005, a curtailment was recognized to reflect the impact of the changes in the Canadian plan's eligibility requirements.

Subsidiaries of Lifeco have declared partial windups in respect of certain Ontario defined benefit pension plans which will not likely be completed for some time. The partial windups could involve the distribution of the amount of actuarial surplus, if any, attributable to the wound-up portion of the plans. However, many issues remain unclear, including the basis of surplus measurement and entitlement, and the method by which any surplus distribution would be implemented. In addition to the regulatory proceedings involving these partial windups, a related proposed class action proceeding has been commenced in Ontario related to one of the partial windups.

Based on information presently known, due to the significant uncertainty with regard to the issues and range of likely outcomes, subsidiaries of Lifeco have not established a provision for these matters. It is not expected that these matters will have a material adverse effect on the consolidated financial position of the Corporation.

Note 20. Pension plans and other post-retirement benefits [continued]

c) Measurement and valuation

The measurement dates, weighted by accrued benefit obligation, are November 30 for 76% of the plan assets and December 31 for 24% of the plan assets. The dates of actuarial valuations for funding purposes for the funded defined benefit pension plans (weighted by accrued benefit obligation) are:

MOST RECENT VALUATION	% OF PLANS	NEXT REQUIRED VALUATION	% OF PLANS
December 31, 2003	21	December 31, 2006	27
April 1, 2004	4	April 1, 2007	4
December 31, 2004	45	December 31, 2007	54
December 31, 2005	30	December 31, 2008	15

d) Cash payments

	ALL PENSION PLANS		OTHER POST-RETIREMENT BENEFITS	
	2006	2005	2006	2005
Benefit payments	**9**	9	**19**	18
Company contributions	**104**	61	**–**	–
	113	70	**19**	18

e) Asset allocation by major category weighted by plan assets

	DEFINED BENEFIT PENSION PLANS	
	2006	2005
	%	%
Equity securities	**52**	52
Debt securities	**38**	39
All other assets	**10**	9
	100	100

No plan assets are directly invested in the Corporation's or subsidiaries' securities. Nominal amounts may be invested in the Corporation's or subsidiaries' securities through investment in pooled funds.

f) Significant assumptions

	DEFINED BENEFIT PENSION PLANS		OTHER POST-RETIREMENT BENEFITS	
	2006	2005	2006	2005
	%	%	%	%
Weighted average assumptions used to determine benefit cost				
Discount rate	**5.3**	6.0	**5.3**	6.2
Expected long-term rate of return on plan assets	**6.4**	6.9		
Rate of compensation increase	**4.0**	4.6		
Weighted average assumptions used to determine accrued benefit obligation				
Discount rate	**5.1**	5.3	**5.1**	5.3
Rate of compensation increase	**3.9**	4.0		
Weighted average health care trend rates[1]				
Initial health care trend rate			**7.1**	7.7
Ultimate health care trend rate			**4.9**	4.8
Initial year			2007	2005
Year ultimate trend rate is reached			2011	2010

[1] In determining the expected cost of health care benefits, health care costs were assumed to increase at the initial trend rate, which would gradually decrease to an ultimate trend rate.

g) Impact of changes to assumed health care rates — other post-retirement benefits

	IMPACT ON END OF YEAR ACCRUED POST-RETIREMENT BENEFIT OBLIGATION		IMPACT ON POST-RETIREMENT BENEFIT SERVICE AND INTEREST COST	
	2006	2005	2006	2005
1% increase in assumed health care cost trend rate	**62**	60	**5**	10
1% decrease in assumed health care cost trend rate	**(49)**	(49)	**(4)**	(6)

Note 21. Earnings per share

The following is a reconciliation of the numerators and the denominators of the basic and diluted earnings per participating share computations:

FOR THE YEARS ENDED DECEMBER 31	2006	2005
Net earnings	**1,393**	1,053
Dividends on non-participating shares	**(42)**	(32)
Net earnings available to participating shareholders	**1,351**	1,021
Weighted number of participating shares outstanding [millions]		
— Basic	**450.6**	448.0
Exercise of stock options	**12.2**	12.0
Shares assumed to be repurchased with proceeds from exercise of stock options	**(7.5)**	(6.0)
Weighted number of participating shares outstanding [millions]		
— Diluted	**455.3**	454.0

For 2005, 1,184,500 stock options that were antidilutive have been excluded from the computation of diluted earnings per share.

Earnings per participating share		
— Basic	**3.00**	2.28
— Diluted	**2.97**	2.25

Note 22. Fair value of financial instruments

The following table presents the fair value of the Corporation's financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

	2006		2005	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	**5,785**	**5,785**	5,332	5,332
Investments [excluding real estate]	**93,443**	**96,313**	85,929	89,776
Other financial assets	**14,996**	**14,996**	5,007	5,007
Total financial assets	**114,224**	**117,094**	96,268	100,115
Liabilities				
Deposits and certificates	**778**	**779**	693	694
Debentures and other borrowings	**3,402**	**3,888**	3,427	3,938
Other financial liabilities	**7,372**	**7,372**	9,654	9,654
Total financial liabilities	**11,552**	**12,039**	13,774	14,286

Fair value is determined using the following methods and assumptions:

› The fair value of short-term financial instruments is assumed to be equal to carrying value due to their short-term maturities. These include cash and cash equivalents, dividends and interest receivable, premiums in the course of collection, and amounts included in Other financial liabilities.

› Shares and bonds are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used. Mortgage loans are determined by discounting the expected future cash flows at market interest rates for loans with similar credit risk.

› Deposits and certificates are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

› Debentures and other borrowings are determined by reference to current market prices for debt with similar terms and risks.

Note 23. Derivative financial instruments

The Corporation and its subsidiaries, in the normal course of managing exposure to fluctuations in interest rates and foreign exchange rates, and to market risks, are end users of various derivative financial instruments whose notional amount is not recorded on the Consolidated Balance Sheets. Contracts are either exchange traded or over-the-counter traded with counterparties that are highly rated financial institutions.

The following table summarizes the portfolio of derivative financial instruments of the Corporation and its subsidiaries at December 31:

	NOTIONAL AMOUNT					
	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	MAXIMUM CREDIT RISK	TOTAL ESTIMATED FAIR VALUE
2006						
Swaps						
Futures — long	146	–	–	146	–	–
Futures — short	62	–	–	62	–	–
Swaps	1,169	2,002	811	3,982	119	99
Options purchased	–	–	624	624	62	62
	1,377	2,002	1,435	4,814	181	161
Foreign exchange contracts						
Forward contracts	1,076	–	–	1,076	3	(49)
Cross-currency swaps	290	902	3,154	4,346	437	347
	1,366	902	3,154	5,422	440	298
Other derivative contracts						
Equity contracts	161	–	16	177	12	(5)
Credit default swaps	–	88	–	88	–	–
Options purchased	23	–	–	23	–	–
Options written	31	–	–	31	–	(43)
	215	88	16	319	12	(48)
	2,958	2,992	4,605	10,555	633	411
2005						
Swaps						
Futures — long	30	–	–	30	–	–
Futures — short	308	–	–	308	–	–
Swaps	929	731	636	2,296	117	98
Options written	26	–	–	26	–	–
Options purchased	–	–	547	547	72	72
	1,293	731	1,183	3,207	189	170
Foreign exchange contracts						
Forward contracts	1,062	–	–	1,062	16	11
Cross-currency swaps	143	1,062	2,622	3,827	534	496
	1,205	1,062	2,622	4,889	550	507
Other derivative contracts						
Equity contracts	321	–	–	321	7	3
Credit default swaps	–	88	–	88	1	1
Options purchased	–	23	–	23	–	–
Options written	–	31	–	31	–	(29)
Forward sales	6	–	–	6	1	1
	327	142	–	469	9	(24)
	2,825	1,935	3,805	8,565	748	653

The amount subject to credit risk is limited to the current fair value of the instruments which are in a gain position. The credit risk is presented without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Corporation would receive (or pay) to terminate all agreements at year-end. However, this would not result in a gain or loss to the Corporation as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

Note 23. Derivative financial instruments [continued]

[i] Swaps

Interest rate swaps and options are used as part of a portfolio of assets to manage interest rate risk associated with actuarial liabilities and mortgage banking operations and asset liability management. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Interest income is adjusted to reflect the interest receivable and interest payable under the interest rate swaps. For Lifeco, realized gains and losses associated with these derivatives are deferred and amortized to net investment income. For IGM, charges in fair value are recorded in Net investment income in the Consolidatement Statement of Earnings.

Written call options are used with interest rate swaps to effectively convert convertible, fixed rate bonds to non-convertible variable rate securities as part of the Corporation's overall assets/liability matching program. The written call option hedges the Corporation's exposure to the convertibility feature on the bonds. Any premiums received are recognized in Net investment income over the life of the options. Gains and losses realized upon exercise of the options are amortized into income over the remaining term of the underlying security.

Put options are purchased to protect against significant decreases in equity markets. Premiums paid are amortized to Net investment income over the life of the options. Gains and losses realized upon exercise of the options are recognized in Net investment income.

IGM also enters into total return swaps to manage its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements. These swap agreements require the periodic exchange of net contractual payments without the exchange of the notional principal amounts on which the payments are based. These instruments are not designated as hedges and are carried at fair value on the Consolidated Balance Sheets. Changes in fair value are recorded in operating expenses in the Consolidated Statements of Earnings.

[ii] Foreign exchange contracts

Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with actuarial liabilities. Under these swaps principal amounts and fixed and floating interest payments may be exchanged in different currencies. The carrying value on the balance sheet is adjusted to reflect the amount of the currency swapped and interest income is adjusted to reflect the interest receivable and interest payable under the swaps. The Corporation also enters into certain foreign exchange forward contracts to hedge certain product liabilities and to hedge a portion of the translation of its foreign revenues as well as a portion of both operating results and net investment in its foreign operations. The realized and unrealized gains and losses on contracts for product liabilities are included in Net investment income offsetting the respective realized and unrealized gains and losses on the underlying product liabilities and a corresponding market value adjustment in the amounts paid or credited to policyholders. The realized gains and losses on contracts related to revenues are recognized in Net investment income and in 2006, gains net of tax, were nil ($67 million in 2005). The gains and losses on contracts related to net investment in foreign operations are included in Foreign currency translation adjustments in the shareholders' equity section of the Consolidated Balance Sheets. Hedge effectiveness is reviewed quarterly through critical terms matching and correlation testing.

[iii] Other derivative contracts

Equity index swaps and futures are used to hedge certain product liabilities and are marked to market with realized and unrealized gains and losses included in Net investment income offsetting the respective realized and unrealized gains and losses on the underlying product liabilities and a corresponding market value adjustment in the amounts paid or credited to policyholders. Equity index swaps are also used as substitutes for cash instruments and are marked to market with realized and unrealized gains and losses included in Net investment income.

In addition, equity index swaps are used to hedge the market risk associated with certain fee income. Realized gains and losses are recognized in fee income. Hedge effectiveness is reviewed quarterly through correlation testing.

Lifeco uses credit derivatives to manage its credit exposures and for risk diversification in its investment portfolio. Unrealized gains and losses are deferred on the balance sheet and are recognized in Net investment income in the period in which the gain or loss on the underlying investment is recognized.

IGM manages its exposure to market risk on its securities by either entering into forward sale contracts, purchasing a put option or by simultaneously purchasing a put option and writing a call option on the same security. IGM designates these contracts as hedges of the future sale of specified securities. Any unrealized gains and losses on the forward sales and options are accounted for on the deferral basis where gains and losses, including any premiums paid or received, are recognized in Net investment income on a basis consistent with the future sale of the related securities.

Note 24. Contingent liabilities

The Corporation's subsidiaries are subject to legal actions, including arbitrations and proposed class actions, arising in the normal course of business. It is not expected that any of these legal actions will have a material adverse effect on the consolidated financial position of the Corporation.

In addition, there are three proposed class proceedings in Ontario regarding the participation of the London Life and Great-West participating policyholder accounts in the financing of the acquisition of LIG in 1997 by Great-West. It is difficult to predict their outcome with certainty. However, based on information presently known, Lifeco does not expect these proceedings to have a material adverse effect on the consolidated financial position of the Corporation.

Subsidiaries of Lifeco have declared partial windups in respect of certain Ontario defined benefit pension plans which will not likely be completed for some time. The partial windups could involve the distribution of the amount of actuarial surplus, if any, attributable to the wound-up portion of the plans. However, the terms of such windups have not been settled, including the basis of surplus measurement and entitlement, and the method by which any surplus distribution would be implemented. In addition to the regulatory proceedings involving these partial windups, a related proposed class action proceeding has been commenced in Ontario related to one of the partial windups. Based on information presently known, due to the significant uncertainty with regard to the issues, no reasonable estimate of the outcome can be made. Accordingly, Lifeco's subsidiaries have not established a provision for these matters. It is not expected that these matters will have a material adverse effect on the consolidated financial position of the Corporation.

A subsidiary of Lifeco is involved in an ongoing arbitration relating to the interpretation of certain provisions of reinsurance treaties. In addition, certain reinsurance client loss statements relating to other reinsurance treaties are in dispute and may become subject to arbitration or other legal action in the future. While there is retrocession coverage in place for these other treaties, payment of amounts due under these retrocession treaties is contingent upon collection by the retrocessionaire under a separate financial arrangement with another party. Lifeco understands that the provisions of this separate financial arrangement are also in dispute. Lifeco's subsidiary has established an actuarial provision for these two matters. Based on information presently known, it is difficult to predict the outcome of these matters with certainty. Lifeco does not expect these matters to have a material adverse effect on the consolidated financial position of the Corporation.

IGM is subject to legal actions, including class actions, arising in the normal course of its business. Three class actions related to alleged market timing trading activity in mutual funds of IGM have been commenced. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management of IGM does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the consolidated financial position of the Corporation.

Note 25. Commitments and guarantees

GUARANTEES

In the normal course of operations, the Corporation and its subsidiaries execute agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Corporation and its subsidiaries have also agreed to indemnify its directors and certain of its officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Corporation has not made any payments under such indemnification agreements. No amounts have been accrued related to these agreements.

SYNDICATED LETTERS OF CREDIT

Clients residing in the United States are required, pursuant to their insurance laws, to obtain letters of credit, issued on LRG's behalf, from approved banks in order to further secure LRG's obligations under certain reinsurance contracts.

LRG has a syndicated letter of credit facility providing US$650 million in letters of credit capacity. The facility was arranged in 2005 for a five-year term expiring November 15, 2010. Under the terms and conditions of the facility, collateralization may be required if a default under the letter of credit agreement occurs. LRG has issued US$620 million in letters of credit under the facility as at December 31, 2006 (US$611 million at December 31, 2005).

In addition, LRG has other bilateral letter of credit facilities totalling US$18 million (US$18 million in 2005).

Note 25. Commitments and guarantees [continued]

COMMITMENTS

The Corporation and its subsidiaries enter into operating leases for office space and certain equipment used in the normal course of operations. Lease payments are charged to operations over the period of use. The future minimum lease payments in aggregate and by year are as follows:

	2007	2008	2009	2010	2011	2012 AND THERE-AFTER	TOTAL
Future lease payments	137	124	105	70	45	175	656

OTHER COMMITMENTS

The Corporation has outstanding commitments of $404 million representing future capital contributions to private equity funds.

As at December 31, 2006, a wholly-owned subsidiary of the Corporation provided a loan guarantee of up to $10 million in the event of non-payment of the bank indebtedness by a joint venture. In January 2007, this loan guarantee was decreased to $5 million. The joint venture has pledged its shares in an affiliate to secure this loan.

Note 26. Segmented information

The following strategic business units constitute the Corporation's reportable operating segments:

› Lifeco offers, in Canada, the United States and in Europe, a wide range of life insurance, health insurance, retirement and investment products, as well as reinsurance and specialty general insurance products to individuals, businesses and other private and public organizations.

› IGM offers a comprehensive package of financial planning services and investment products to its client base. IGM derives its revenues from a range of sources, but primarily from management fees, which are charged to its mutual funds for investment advisory and management services. IGM also earns revenue from fees charged to its mutual funds for administrative services.

› Parjointco N.V. holds the Corporation's interest in Pargesa Holding S.A., a holding company which holds diversified interests in specialty minerals, water, waste services, energy companies, and wines and spirits based in Europe.

› The segment entitled Other is made up of corporate activities of the Corporation and also includes consolidation adjustments.

The accounting policies of the operating segments are those described in the summary of significant accounting policies. The Corporation evaluates the performance based on the operating segment's contribution to consolidated net earnings. Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets. The contribution to consolidated net earnings of each segment is calculated after taking into account the investment Lifeco and IGM have in each other (adjusted, in the case of Lifeco, to reflect the equity method of accounting for its investment in IGM).

Note 26. Segmented information [continued]

INFORMATION ON PROFIT MEASURE

DECEMBER 31, 2006	LIFECO	IGM	PARJOINTCO	OTHER	TOTAL
Revenues					
Premium income	18,724	–	–	–	18,724
Net investment income	5,910	212	–	29	6,151
Fees and media income	2,688	2,392	–	349	5,429
	27,322	2,604	–	378	30,304
Expenses					
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	20,508	–	–	–	20,508
Commissions	1,401	833	–	(50)	2,184
Operating expenses	2,507	573	–	530	3,610
Financing charges	202	88	–	54	344
	24,618	1,494	–	534	26,646
	2,704	1,110	–	(156)	3,658
Share of earnings of affiliates	–	–	126	(16)	110
Other income [charges], net	–	–	341	(3)	338
Earnings before income taxes and non-controlling interests	2,704	1,110	467	(175)	4,106
Income taxes	615	331	–	(6)	940
Non-controlling interests	1,213	491	157	(88)	1,773
Contribution to consolidated net earnings	876	288	310	(81)	1,393

INFORMATION ON ASSET MEASURE

DECEMBER 31, 2006	LIFECO	IGM	PARJOINTCO	OTHER	TOTAL
Goodwill	5,876	2,466	–	112	8,454
Total assets	120,463	7,333	2,137	2,754	132,687
Assets under administration	90,146	119,364	–	–	209,510

GEOGRAPHIC INFORMATION

DECEMBER 31, 2006	CANADA	UNITED STATES	EUROPE	TOTAL
Revenues	14,829	5,924	9,551	30,304
Investment in affiliates, at equity	45	–	2,137	2,182
Goodwill and intangible assets	9,160	277	1,762	11,199
Total assets	59,956	29,337	43,394	132,687
Assets under administration	164,020	18,858	26,632	209,510

Note 26. Segmented information [continued]

INFORMATION ON PROFIT MEASURE

DECEMBER 31, 2005	LIFECO	IGM	PARJOINTCO	OTHER	TOTAL
Revenues					
Premium income	16,058	–	–	–	16,058
Net investment income	5,389	183	–	2	5,574
Fees and media income	2,424	2,164	–	341	4,929
	23,871	2,347	–	343	26,561
Expenses					
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	17,435	–	–	–	17,435
Commissions	1,284	726	–	(54)	1,956
Operating expenses	2,454	555	–	515	3,524
Financing charges	187	90	–	59	336
	21,360	1,371	–	520	23,251
	2,511	976		(177)	3,310
Share of earnings of affiliates	–	–	121	(11)	110
Other income [charges], net	(22)	–	11	4	(7)
Earnings before income taxes and non-controlling interests	2,489	976	132	(184)	3,413
Income taxes	601	292	–	9	902
Non-controlling interests	1,074	430	44	(90)	1,458
Contribution to consolidated net earnings	814	254	88	(103)	1,053

INFORMATION ON ASSET MEASURE

DECEMBER 31, 2005	LIFECO	IGM	PARJOINTCO	OTHER	TOTAL
Goodwill	5,747	2,452	–	61	8,260
Total assets	102,161	6,807	1,501	2,530	112,999
Assets under administration	75,158	100,233	–	–	175,391

GEOGRAPHIC INFORMATION

DECEMBER 31, 2005	CANADA	UNITED STATES	EUROPE	TOTAL
Revenues	12,373	5,403	8,785	26,561
Investment in affiliates, at equity	53	–	1,501	1,554
Goodwill and intangible assets	8,892	54	1,737	10,683
Total assets	58,494	27,336	27,169	112,999
Assets under administration	139,087	17,008	19,296	175,391

Note 27. Subsequent event

On February 1, 2007, Lifeco announced that it had entered into agreements with Marsh & McLennan Companies, Inc. whereby Lifeco will acquire the asset management business of Putnam Investments Trust (Putnam), and Great-West Life will acquire Putnam's 25% interest in T.H. Lee Partners for approximately $410 million (US$350 million). The parties will make an election under section 338(h)(10) of the U.S. Internal Revenue Code that will result in a tax benefit that Lifeco intends to securitize for approximately $644 million (US$550 million). In aggregate, these transactions represent a value of approximately $4.6 billion (US$3.9 billion).

Funding for the transaction will come from internal resources as well as from proceeds of an issue of Lifeco common shares of no more than $1.2 billion, the issuance of debentures and hybrids, a bank credit facility, and an acquisition tax benefit securitization. The transaction is expected to close in the second quarter of 2007, subject to regulatory approval and certain other conditions.

AUDITORS' REPORT
TO THE SHAREHOLDERS OF POWER CORPORATION OF CANADA

We have audited the consolidated balance sheets of Power Corporation of Canada as at December 31, 2006 and 2005 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Montréal, Québec
March 21, 2007

POWER CORPORATION OF CANADA
FIVE-YEAR FINANCIAL SUMMARY

DECEMBER 31 [in millions of dollars, except per share amounts]	2006	2005	2004	2003	2002
CONSOLIDATED BALANCE SHEETS					
Cash and cash equivalents	**5,785**	5,332	4,142	4,159	3,001
Consolidated assets	**132,687**	112,999	105,940	107,199	70,136
Shareholders' equity	**8,601**	7,259	6,602	6,042	5,387
Consolidated assets and assets under administration	**342,197**	288,390	261,594	245,635	176,153
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenues					
Premium income	**18,724**	16,058	14,202	7,069	11,187
Net investment income	**6,151**	5,574	5,532	4,805	3,868
Fees and media income	**5,429**	4,929	4,583	3,859	3,935
	30,304	25,561	24,317	15,733	18,990
Expenses					
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	**20,508**	17,435	15,490	8,346	12,593
Commissions	**2,184**	1,956	1,880	1,376	1,199
Operating expenses	**3,610**	3,524	3,523	3,095	2,815
Financing charges	**344**	336	364	329	226
	26,646	23,251	21,257	13,146	16,833
	3,658	3,310	3,060	2,587	2,157
Share of earnings of affiliates	**110**	110	118	86	80
Other income [charges], net	**338**	(7)	(49)	725	(86)
Income taxes	**940**	902	831	835	763
Non-controlling interests	**1,773**	1,458	1,349	1,295	743
Net earnings	**1,393**	1,053	949	1,268	645
Per participating share					
Operating earnings before non-recurring items	**2.49**	2.32	2.08	1.76	1.54
Net earnings	**3.00**	2.28	2.07	2.79	1.40
Dividends	**0.76125**	0.6500	0.5531	0.4688	0.3969
Book value at year-end	**17.29**	14.39	13.61	12.41	10.88
Market price [Subordinate Voting Shares]					
High	**36.49**	33.82	31.05	24.48	22.18
Low	**28.25**	28.22	23.28	17.40	15.76
Year-end	**35.29**	31.66	31.00	24.20	18.00

QUARTERLY FINANCIAL INFORMATION

[in millions of dollars, except per share amounts]	TOTAL REVENUES	NET EARNINGS	EARNINGS PER SHARE — BASIC	EARNINGS PER SHARE — DILUTED
2006				
First quarter	**6,399**	**254**	**0.54**	**0.54**
Second quarter	**7,375**	**341**	**0.73**	**0.73**
Third quarter	**7,288**	**509**	**1.10**	**1.09**
Fourth quarter	**9,242**	**289**	**0.62**	**0.61**
2005				
First quarter	7,083	232	0.50	0.50
Second quarter	6,403	294	0.64	0.63
Third quarter	5,839	242	0.52	0.52
Fourth quarter	7,236	285	0.61	0.60

BOARD OF DIRECTORS

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A DIVISION OF BOMBARDIER INC.

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MANAGING DIRECTOR, DASSAULT INVESTISSEMENTS

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DEPUTY CHAIRMAN,
POWER FINANCIAL CORPORATION

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CHAIRMAN OF THE EXECUTIVE COMMITTEE OF
THE CORPORATION

PAUL DESMARAIS, JR., O.C. [1][5]
CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICER OF
THE CORPORATION AND
CHAIRMAN OF THE EXECUTIVE COMMITTEE,
POWER FINANCIAL CORPORATION

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POWER FINANCIAL CORPORATION

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CHAIRMAN, AON PARIZEAU INC.

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OF THE CORPORATION AND
EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER,
POWER FINANCIAL CORPORATION

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EXECUTIVE VICE-PRESIDENT, OFFICE OF THE CHAIRMAN
OF THE EXECUTIVE COMMITTEE OF THE CORPORATION

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PRESIDENT OF THE SUPERVISORY BOARD,
PAI PARTNERS

EMŐKE J.E. SZATHMÁRY, C.M., PH.D. [2][4]
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UNIVERSITY OF MANITOBA

DIRECTORS EMERITUS

JAMES W. BURNS, O.C., O.M.

**THE HONOURABLE
P. MICHAEL PITFIELD, P.C., Q.C.**

[1] Member of the Executive Committee
[2] Member of the Audit Committee
[3] Member of the Compensation Committee
[4] Member of the Related Party and Conduct Review Committee
[5] Member of the Governance and Nominating Committee

OFFICERS

PAUL DESMARAIS, JR., O.C.
CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICER

ANDRÉ DESMARAIS, O.C.
PRESIDENT AND CO-CHIEF EXECUTIVE OFFICER

MICHEL PLESSIS-BÉLAIR, FCA
VICE-CHAIRMAN AND CHIEF FINANCIAL OFFICER

LUC JOBIN, C.A.
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JOHN A. RAE
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OFFICE OF THE CHAIRMAN OF THE EXECUTIVE COMMITTEE

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SENIOR VICE-PRESIDENT,
GENERAL COUNSEL AND SECRETARY

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SENIOR VICE-PRESIDENT, FINANCE

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VICE-PRESIDENT

ISABELLE MORIN
TREASURER

JEANNINE ROBITAILLE
ASSISTANT SECRETARY

CORPORATE INFORMATION

Additional copies of this annual report as well as copies of the annual reports of Power Financial, Great-West Lifeco, Great-West Life, London Life, Canada Life Financial Corporation, Canada Life, IGM Financial and Pargesa are available from:

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STOCK LISTINGS

Shares of Power Corporation of Canada are listed on the Toronto Stock Exchange, under the following listings:

Subordinate Voting Shares: POW
Participating Preferred Shares: POW.PR.E
First Preferred Shares 1986 Series: POW.PR.F
First Preferred Shares, Series A: POW.PR.A
First Preferred Shares, Series B: POW.PR.B
First Preferred Shares, Series C: POW.PR.C
First Preferred Shares, Series D: POW.PR.D

Shareholders with questions relating to the payment of dividends, change of address and share certificates should contact the Transfer Agent.

TRANSFER AGENT AND REGISTRAR

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Imagine Caring Company Une entreprise généreuse

Power Corporation has been designated "A Caring Company" by Imagine, a national program to promote corporate and public giving, volunteering and support in the community..